CANADA MORTGAGE
AND HOUSING CORPORATION

ONTARIO MINISTRY OF MUNICIPAL AFFAIRS
AND HOUSING

EVALUATIVE STUDY OF NON-PROFIT AND COOPERATIVE HOUSING IN ONTARIO

SEPTEMBER 1981

A report from

Woods Gordon

Management Consultants

Woods Gordon

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August 30, 1981

Steering Committee
Evaluative Study of
Non-Profit and Cooperative
Housing In Ontario
Canada Mortgage & Housing Corporation
Ontario Ministry of Municipal Affairs and Housing

Dear Madame & Sirs:

We are pleased to present our final report of the "Evaluation Study of Non-profit and Cooperative Housing in Ontario. This has been a most interesting and challenging assignment and we hope that the study findings will contribute to an improved understanding of and policy-making regarding the Non-profit and Cooperative Housing programs.

We would like to thank you and your staff and the members of the Municipal, Private and Co-op Working Groups. The cooperation and assistance we received are a major reason for the success of this undertaking.

Housing for low and moderate income people is crucial to the quality of life in Canada and Ontario; we thank you for the opportunity which you have given us to contribute to your endeavours.

Yours truly,

Woods Gordon

Woods Gordon

c.c. M.J. McClew
G.A. Grant
E.N. Starr
D.J. Londerville

Canada Mortgage
and Housing Corporation
Toronto Branch

Société canadienne
d'hypothèques et de logement
Succursale de Toronto

1981-10-02

Mr. D. Hulchanski
19 Carr Street
Apt. 316
Toronto, Ontario

Dear Mr. Hulchanski:

Re: Evaluation of Non-Profit and
Co-operative Housing Programs

We would like to thank you and your staff for taking part in the Woods Gordon study on non-profit and co-operative housing programs, sponsored by the federal and provincial governments. Your input was extremely valuable to all concerned.

For your information, we are enclosing a copy of the final report which contains many of the comments and suggestions made to the Steering Committee.

This was the first comprehensive study of non-profit programs in Ontario and we hope it will form the basis for future discussions.

Yours sincerely,

J.R. Robertson
Manager - Programs

JRR:ad

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ONTARIO MINISTRY OF MUNICIPAL AFFAIRS & HOUSING/
CANADA MORTGAGE AND HOUSING CORPORATION

EVALUATIVE STUDY OF NON-PROFIT
AND COOPERATIVE HOUSING IN ONTARIO

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KEY EVALUATIVE FINDINGS & CONCLUSIONS

- The Non-profit programs are meeting their goal of serving mostly low and moderate income Ontario citizens.

  86% of residents have incomes of less than $20,000
  25% of residents have incomes of less than $5,000

- Housing affordability is a problem for many non-profit housing residents (particularly senior citizens) even after they have moved into Non-Profit housing.

  83% of surveyed senior citizens have incomes of less than $10,000 and of these 38% pay over 30% of their income for accommodation.

- Non-profit housing residents, both those who are paying market-level rents and those who are paying rent geared to their income, are generally satisfied with their accommodation.

  Quality, location and housing charges of non-profit accommodation were rated highly by residents surveyed.

- The financial viability of non-profit housing projects is highly dependant upon controlling operating costs. Significantly increased subsidies or rents would be required to offset operating cost increases.

  If operating costs rise 15% annually:

  - Under the Old Program breakeven rents charged to residents not paying rent geared to income (non-RGI residents) would have to increase at 12% per annum
  - Under the New Program for PNP and Co-ops rents on non-RGI units would have to increase at 14%
  - Under the New Program for MNP subsidies would increase 3 fold over subsidies for 9% operating cost increases.

- Substantially increased breakeven or market rents (resulting from rising operating costs) would negatively affect the mix of low and moderate income residents and project viability. Municipal Non-Profits are also subject to this pressure although increased subsidies reduce the problem of financial viability. The residents paying market or breakeven rent would require increasingly higher incomes while Rent Geared to Income residents tend to be low income.

- Municipal, private non-profit organizations, and cooperatives believe that the New Non-profit Housing Programme is a significant improvement over the Old Non-profit Housing Programme in helping them to meet the housing needs of low and moderate income residents in their local area.

EXECUTIVE SUMMARY

A. INTRODUCTION

The Ontario Ministry of Housing (M.O.H.) which subsequently became part of the new Ministry of Municipal Affairs and Housing and Canada Mortgage and Housing Corporation (CMHC) asked Woods Gordon to undertake an evaluative study of non-profit and cooperative housing in Ontario. This study was to be a factual and analytical examination of the data available. Policy recommendations and/or value judgements were not to be made; rather the study findings were to be presented as a basis for future policy analysis by government decision-makers. The terms of reference did not address the issue of demand for low cost housing so the market situation has not been addressed.

This Executive Summary presents briefly the methodology for the Study and presents the key findings of our investigations. Detailed explanations of the methodology and findings are provided in the main body of the Report.

B. METHODOLOGY/DATA

The cut-off date for all project cost and subsidy data was December 1979. Because of this, the Study only takes a preliminary look at the New Program.

The study findings are based on data obtained from the following sources:

- project data provided by CMHC and M.O.H.*

* Data was received from a variety of sources. The data available limited to a certain extent the analysis which was undertaken. The findings which follow therefore are subject to qualifications about the data described in the Methodology/Quality of Data section of the Report.

KEY DEFINITIONS

New Program - New Non-Profit Housing Program under which buildings obtain private financing, non-RGI units have housing charges equivalent to low end of market and interest is written down to as low as 2% through assistance. (Section 56.1 of the National Housing Act.)

Old Program - Old Non-Profit Housing Program under which financing was direct from CMHC at an 8% interest rate and rents charged were breakeven. (Section 15.1 and 34.18 of the National Housing Act.)

Co-ops - Cooperative Non-Profit organizations formed to develop housing under Section 34.18 (Old Program) or Section 56.1 (New Program) for their members.

M.N.P. - Municipal Non-Profits - non-profit organizations formed by municipalities to develop and manage housing under Section 15.1 (Old Program) or Section 56.1 (New Program) of the National Housing Act.

P.N.P. - Private Non-Profits - private non-profit organizations chartered exclusively for charitable reasons providing housing for low and moderate income groups under Section 15.1 (Old Program) and Section 56.1 (New Program) of the National Housing Act.

R.G.I. - Rent Geared to Income - Non-Profit housing residents who cannot afford to pay market rents and who's rents are reduced in relation to their income.

R.R.A.P. - Residential Rehabilitiation Assistance Program - provides funds (part loan, part grant) to rehabilitate (to acceptable standards) existing properties. For Non-Profit Housing RRAP funds are in the form of grants.

A.R.P. - Assisted Rental Program for development of rental housing (see Section 2.5)

R.R.G. - Rent Reduction Grant (see description of Non-Profit Programs in Appendix B). There are two Rent Reduction Grants - a provincial one under the Old Program and a federal one under the New Program.

Start-up Funds - funds provided by CMHC to enable a private project or Co-op group to do the ground work prior to submitting a loan application. Portions of these funds are repayable as part of the mortgage loan.

Urban - Located in the cities of Toronto, Ottawa, Windsor, London, Hamilton.

Non Urban - Projects other than those in the urban category.

- o data gathered by means of a tenant survey undertaken by Woods Gordon
- o data from a tenant survey carried out by the City of Toronto Cityhome Corporation in 1979
- o meetings with Municipal, Private and Cooperative Working groups
- o interviews with senior managers of municipal non-profit housing organizations
- o a questionnaire distributed to project managers of cooperative and private non-profit projects.
- o briefs submitted by non-profit and cooperative organizations across Ontario. *

C. STUDY FINDINGS

C.1 PROJECT ECONOMICS

- o The development costs (including land costs) for Municipal Non-Profit (M.N.P.) projects were slightly higher than for Private Non-Profit (PNP) projects or Cooperative (Co-ops) projects under the Old Program ($51/sq. foot as compared to $47/ sq. foot for PNP and (Co-ops). The same relationship has held under the New Program ($46/sq ft vs. $40-$41/sq. ft).

- o However, New Program projects have relatively lower development costs on a square footage basis than Old Program project costs, when both are inflated by the New Residential Construction Price Index to 1979 dollars for comparison purposes.

C.1.1 Under the Old Program:

- o Existing projects which were purchased and renovated have similar square foot construction costs (including land) as newly developed projects.

- o Non-urban projects are developed at lower costs then urban projects.

- o Small projects (under 50 units) were less expensive to develop on a square foot basis than large projects ($43 sq. ft. vs. $49/sq. ft.).

- o Senior citizen buildings are more expensive than family buildings on a square footage basis (17.8% higher).

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* A Private Sector working group including members of the Housing & Urban Development Association of Canada (HUDAC) and the Urban Development Institute (UDI) was established to facilitate a comparison between non-profit and private sector housing. The Private Sector Working Group was asked to provide information on a sample of their projects. Unfortunately insufficient data was provided to allow for meaningful analysis and comparison.

- Projects in Metropolitan Toronto have been considerably more expensive (sq. footage basis) to build ($55 vs. $41 per sq. ft.) then those in Ottawa.

C.1.2 Under the New Program:

- Existing projects which were purchased and renovated have been considerably less expensive on a square footage basis than newly developed projects. This may be due in part to rent review holding down the sale prices of acquired buildings.

- Non-urban projects are less costly on a square foot basis than urban projects.

- Small projects (under 50 units) have lower per square foot costs than large projects.

- Senior citizen buildings are more expensive than Family buildings on a square footage basis (4.8% higher) but the gap in cost has narrowed under the New Program.

- Projects in Metropolitan Toronto continue to be more expensive than Ottawa ($49 vs. $42 per sq. ft.)

C.2.1 CAPITAL SUBSIDIES

- under the Old Program, per unit total capital subsidies are approximately equal for both new construction and acquisition; greater for non-urban than urban projects; approximately equal for small and large projects; and greater for family units than senior citizens units

- under the New Program*, per unit total capital subsidies are greater for acquisition than new construction (because RRAP is not available for new construction); greater for non-urban than urban projects; approximately equal for large and small projects; and greater for senior units than family units.

C.2.2 OPERATING SUBSIDIES

- under the Old Program, total operating subsidies per unit are greater for new construction than acquisition; approximately equal for urban and non-urban projects; approximately equal for small and large projects; and higher for family units than senior citizen units

* Data on capital subsidies under the New Program includes Start-up Funds (for which MNP's are not eligible), Community Services Contribution Program (available only to MNP's) and RRAP (which no MNPs used).

- under the New Program, per unit total operating subsidies are much greater for new construction than acquisition, slightly greater for urban than non-urban projects, greater for large than small projects and greater for family units than seniors units.

C.3 SURVEY OF RESIDENTS IN NON-PROFIT HOUSING

- survey findings indicate a high level of satisfaction regarding their accommodation amongst residents living in non-profit and cooperative projects

- residents accommodated on a rent-geared-to income (RGI) basis have a higher level of satisfaction than do tenants paying market-level rents (21.9% of the respondents indicated their rent was adjusted relative to their incomes)

- 85.4% of residents expect to move within the next five years; this expectation is higher amongst RGI tenants than for residents who are paying market-level rents

- the following percentage responses were given as the primary reason for moving: buy house, 15.7%; rent too high, 27.8%; move to another type of accommodation, 16.1%. Of the R.G.I. households, 14.6% expect to buy a house within the next five years

- 41.8% of RGI households had one or more children compared to 26.8% of market rent paying households

- based on Woods Gordon questionnaire survey and the City of Toronto's survey, 86% of residents have incomes of less than $20,000 and less than 4% have incomes of over $30,000

- PNP residents (senior citizens predominate) have generally lower incomes than do residents in co-ops and MNP projects. In all, 28% of Co-op households reported incomes of over $20,000 compared to 15% in MNP and 14% in PNP

- income profiles related to rents:

  - in Family Non-Profit Buildings, at least 14% of households were paying more than 30% of their household income for accommodation. (A precise figure is not available because residents were asked to report their incomes in $5,000 ranges.)

  - in Senior Citizen Buildings, at least 32% of households were paying more than 30% of their household income for accommodation.

These ratios were most severe for low income residents.

C.4 FUTURE FINANCIAL PROJECTIONS

- a variety of scenarios were developed to assess the impact of differing operating cost, interest rate and rate of rent increase assumptions. The scenarios are based on possible, but not necessarily expected, ranges of variables. The following section describes the impacts of changes in variables.

C.4.1 Old Program

- total operating subsidies over a 35 year period (including interest write-down and the CMHC 10% capital grant amortized) under the Old Program in various scenarios are lower than under the New Program, assuming rent increases in the Old Program cover operating costs on non-RGI units.

- operating cost increases have the largest impact on subsidy levels and, therefore, on project financial viability. In some cases, economic rents must increase by over 12% annually to maintain viability. As well, rent increases of this nature would affect the income mix of residents in the building.

- the Provincial Rent Reduction Grant under the Community Sponsored Housing Program declines over the initial years of a project and is eventually 0. This puts added financial pressure on a building if operating costs are increasing rapidly.

C.4.2 New Program

- as under the Old Program, operating costs again have the greatest impact on subsidy levels and project financial viability. The MNP are shielded from these increases due to the availability of additional subsidies. PNP and Co-ops are not eligible for the same depth of subsidy and as such are more susceptible to problems.

- high interest rates have much greater impact on New Program subsidies than under the Old Program; however, rising operating costs have a greater impact in both programs. When mortgages are renewed, the federal subsidy is adjusted so that the projects themselves (or rents) are not adversely affected.

C.5 PROGRAM COMPARISONS

C.5.1 Non-Profit Housing and Public Housing

- o construction costs are similar for Public Housing and non-profit housing developed under the Old Program. New Program costs are approximately 11% less than public housing costs

- o as expected, non-profit housing shows a much greater income mix than public housing - 97.2% of public housing households are in the $0 - 15,000 income range, compared to 73.0% of non-profit households

- o as expected, per unit operating subsidies are higher in public housing than non-profit housing because lower income residents are being housed, generally on a rent geared to income basis.

C.5.2 Non-Profit Housing and Federal Assisted Rental Program (ARP)

- o although explicit subsidies are lower for projects built under the Federal Assisted Rental Program (which are privately owned) than under the Non-Profit program, the implicit subsidies for ARP projects through foregone taxes can be substantial depending on the owners tax bracket.

C.6 PROBLEMS AND CONSTRAINTS

- generally, all three group (MNP, PNP, Co-op) found the New Program to be an improvement over the Old Program. There were, however, several problems and criticisms noted in interviews and briefs are as follows:

C.6.1 Municipal Non-Profits

- o the process for determining Maximum Unit Prices (MUPs) established by the Federal Government and "lower-end-of-market rents".

- o the ceiling of 25% rent-geared-to-income units in family projects was criticized as insufficient to enable community needs to be met.

- o municipalities felt greater assistance was required from the Province in developing effective municipal housing organizations.

- o greater Provincial efforts needed to educate the public regarding the non-profit housing program

- municipalities find Provincial regulations act as barriers to effective acquisition and rehabilitation.

- Provincial approval and administrative process is perceived to be overly lengthy and cumbersome.

C.6.2 Private Non-Profits and Co-ops

- there was comment from some groups that start-up funds under the Old Program were inadequate and acted as constraints on the level of development activity

- the process for setting of MUP's was seen as inadequate - insufficient attention is paid to the variety of environments in which development can occur and the needs which must be met, including separate inner-city MUP's.

- Many groups felt that CMHC project design and budgeting are not sensitive enough to energy conservation measures. Given our findings re operating cost impacts, this is an important concern.

- Groups find that program regulations and the lack of land assembly program inhibit opportunities to provide non-profit housing, especially in inner-city areas.

- Groups find that in areas with tight rental markets and high costs, subsidies are insufficient to house as many low and moderate income residents as they would like to accommodate. This tends to be borne out by our findings on resident incomes.

- Project managers indicated that utility costs and taxes were rising most rapidly and created the most pressure on rents.

INTRODUCTION

1. INTRODUCTION

The Non-profit and Cooperative Housing Programs within the Province of Ontario have operated since 1973, originally under sections 15.1 and 34.18 of the National Housing Act and more recently under Section 56.1. Canada Mortgage & Housing Corporation (CMHC) and the Ontario Ministry of Housing (M.O.H.) are responsible for the administration of these programs. While these programs were developed to meet a number of objectives, the major goals were to provide modest housing to low and moderate income households and to encourage the integration of households of varying incomes in non-profit projects.

Woods Gordon was asked by CMHC and M.O.H. to undertake a study to determine whether the Non-profit and Cooperative housing programs' goals were being achieved. Woods Gordon's role in the Study was to undertake a factual and analytical examination of data available regarding non-profit housing in Ontario. The terms of reference for the Study requested that policy recommendations and/or value judgements not be made; rather the data was to be reviewed in relation to issues identified prior to the start of the Study as a basis for future policy analysis by government decision-makers. These issues are described in Appendix A.

A large portion of the data analyzed was provided by either C.M.H.C. or M.O.H. and was keypunched and validated by them. While we checked the data for obvious anomalies, the scope of the Study did not allow us to cross check individual pieces of data prior to our analysis.

The main body of the report contains two sections:

1. Introduction

2. Findings & Summary Statements

There are several appendices following the main report. Appendix A describes the purpose of the Study and the organization and roles of participants in the Study. Appendix B describes how both the Old and New Non-Profit Programs work. Appendix C describes the methodology of the study and the quality of the data; this section should be consulted when reading Section 2 of the Main Report. Appendix D contains the questionnaires used in the Study; Appendix E contains briefs submitted by the Working Groups and our summary of their contents, Appendix F contains samples of comments received from residents on questionnaires and Appendix G contains definitions of terms and abbreviations used in the report. Appendix H contains issues that were raised during the course of the study which were beyond its scope but might merit investigation.

STUDY FINDINGS

1. PROJECT ECONOMICS
2. SUBSIDIES
3. RESIDENTS IN NON-PROFIT BUILDINGS
4. FUTURE FINANCIAL IMPLICATIONS
5. PROGRAM COMPARISONS
6. PROBLEMS AND CONSTRAINTS – MANAGEMENT PERSPECTIVE

2. FINDINGS

This section describes our findings relative to the data analyzed. It is important to read Appendix C of the report (Methodology/Quality of Data) prior to reading this section in order to understand the methodology used and the data that was available. No conclusions are drawn about possible program or policy changes which might be considered based on the data as this was outside our mandate as consultants.

The findings are summarized in this section of the report under the following headings:

2.1 Project Economics
2.2 Subsidies
2.3 Residents in Non-Profit Buildings
2.4 Future Financial Projections
2.5 Program Comparisons
2.6 Problems and Constraints - Management Perspective

Data was obtained from CMHC and M.O.H. on 394 non-profit projects. Of these projects 312 were built under the Old Program and 82 under the New Program. The data was analysed relative to the following categories -

New Construction
Existing - renovated for non-profit housing
Small - less than 50 units
Large - 50 units and over
Urban - Metro Toronto, Hamilton, Ottawa
Nonurban -

Tables 2.0.1, 2.0.2 and 2.0.3 show the percentage of projects in each cross category (e.g., large family buildings). These are referred to in explaining findings in subsequent sections.

TABLE 2.0.1

NUMBER OF PROJECTS IN EACH ROW CATEGORY AS A PERCENTAGE OF COLUMN CATEGORY

	Old Program %	New Program %	Total Population %
New	56.7*	46.3	52.9
Existing	43.3	53.7	47.1
Small	45.4	69.5	54.3
Large	54.6	30.5	45.7
Urban	61.7	50.0	57.4
Nonurban	38.3	50.0	42.6
Family	71.6	85.4	76.7
Senior Citizen	28.4	14.6	23.3

* This number should be read "56.7% of the Old Program buildings are New Construction".

Source: Woods Gordon

TABLE 2.0.2

PERCENT OF TOTAL NUMBER OF OLD PROGRAM PROJECTS IN EACH CROSS CATEGORY

	New	Existing	Small	Large	Urban	Nonurban	Family	Senior Citizen
New	100							
Existing	0	100						
Small	17.7*	28.4	100					
Large	39.0	14.9	0	100				
Urban	25.5	36.2	29.1	31.2	100			
Nonurban	30.5	7.1	16.3	22.0	0	100		
Family	29.8	43.3	32.6	38.3	55.3	17.0	100	
Senior Citizen	26.2	1.4	7.8	20.6	8.5	19.1	0	100

* This number reads: 17.7% of the Old Program buildings are New Construction and small.

The four numbers in each box add to 100%.

Source: Woods Gordon

TABLE 2.0.3

PERCENT OF TOTAL NUMBER OF NEW PROGRAM PROJECTS IN EACH CROSS CATEGORY

	New	Existing	Small	Large	Urban	Nonurban	Family	Senior Citizen
New	100							
Existing	0	100						
Small	23.2*	45.1	100					
Large	22.0	8.5	0	100				
Urban	20.7	29.3	36.6	13.4	100			
Nonurban	25.6	24.4	32.9	17.1	0	100		
Family	34.1	51.2	59.8	25.6	46.3	39.0	100	
Senior Citizen	12.2	2.4	9.8	4.9	3.7	11.0	0	100

* This number reads: 23.2% of the New Program buildings are New Construction and small.

The four numbers in each box add to 100%.

Source: Woods Gordon

1. PROJECT ECONOMICS

2.1 Project Economics

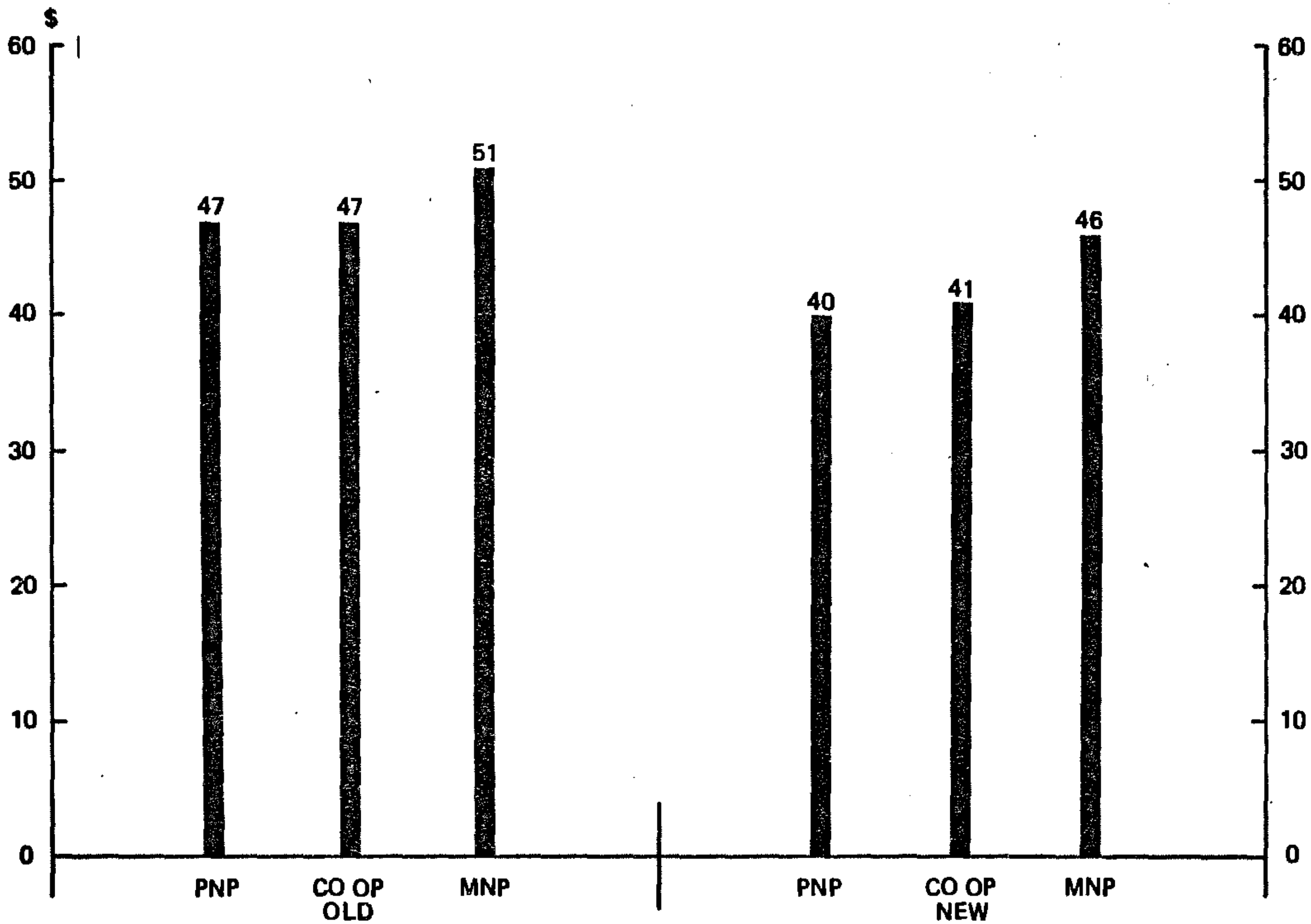
A major concern regarding project economics is the impact on capital cost-effectiveness and resident composition of the nature of projects themselves. In new development, for example, there may be project size thresholds above which strong cost efficiencies are acheived on a per unit or per square foot basis. Similarly, significant capital cost differences may exist between provision of units through new construction, as opposed to acquisition and renovation. There may be relative capital cost advantages to suburban development as opposed to inner city locations. This Project Economics Section of the Study examines and analyzes whether any consistent patterns of this type do exist based on the available data.

Finally considerable concern has been expressed about the project economics of non-profit housing development. It has been argued that, because non-profit organizations are less experienced in housing delivery and burdened by the bureaucratic process required to obtain necessary government approvals on various aspects of projects (design, funding, etc.) non-profit projects are built at a higher unit cost than private sector housing. Therefore, if funds supporting non-profit housing instead were directed toward encouraging greater private sector activity, more cost-effective production could be achieved. Proponents of this view point out that the Assisted Rental Program achieved strong results when heavily supported by government during the 1977/1978 period, as have various limited dividend programs over time. The Study looks at the extent to which this arguement is valid by providing a comparison between ARP housing development costs and those of non-profit housing (see Section 2.5).

Chart 1

PROJECT COSTS

1979 $ PER SQUARE FOOT



There must be, of course, a comparison of project economics under the New Program and the Old. There is some concern that, for example, the old Community Sponsored Housing Program (under which rent-geared-to-income tenants in non-profit projects were subsidized under the former 50% - 42½% - 7½% Federal/Provincial/ Municipal cost-sharing formula) may have been a more effective vehicle for the accomodation of low income residents in non-profit projects than the current funding structure. Conversely, with the heavy mortgage write-downs and the potential future availability in some cases of further assistance from the Province, it is believed by many that the new program should be more effective than the old in providing both unassisted units at the lower end of market and rent-geared-to-income units. This Section of the Study examines the relative project costs under the Old and New Programs.

Analysis

Chart 1 opposite shows the project costs (including land and construction costs) per square foot (inflated to 1979 dollars using the Residential Construction Price Index for Ontario) for the Old Program PNP, Co-op and MNP as well as for the New Program. (Land costs are not shown separately since the data did not always show land costs as a separate item.) Table 2.1.1 shows results of the analysis of variance work done. The results are described after each sub-category is analyzed. The development costs for the MNP were slightly higher than PNP's or Coops under the Old program ($51/square foot as compared to $47/square foot for the PNP and Coops). The same relationship has held under the New Program ($46 vs. $40-41). There may

TABLE 2.1.1

MULTIPLE CLASSIFICATION ANALYSIS

Category	Prime Factor*		Secondary Factor	
Old Program	Urban	4.28	Small	-3.50
	Non-Urban	-4.95	Large	2.46
New Program	New	4.37	Urban	2.83
	Existing	-4.62	Non-Urban	-3.36
Old Program				
Small	New	6.48	Urban	3.88
	Existing	-5.86	Non-Urban	-4.74
Large	Urban	4.76	Senior	4.73
	Non-Urban	-5.29	Family	-3.20
Urban	Small	-5.75	None	
	Large	4.22		
Non-Urban	New	2.40	Senior	2.69
	Existing	-9.61	Family	-2.35
Existing	Urban	4.55	Small	-5.53
	Non-Urban	-13.13	Large	8.30
New	Urban	3.81	Senior	2.74
	Non-Urban	-2.75	Family	-2.26
Family	Urban	3.90	None	
	Non-Urban	-7.16		
Senior Citizen	Small	-8.47	New	0.35
	Large	2.21	Existing	-9.87

* The numbers in the table show the difference from the mean square foot cost explained by the factor when the effects of other factors are removed.

TABLE 2.1.1
(continued)

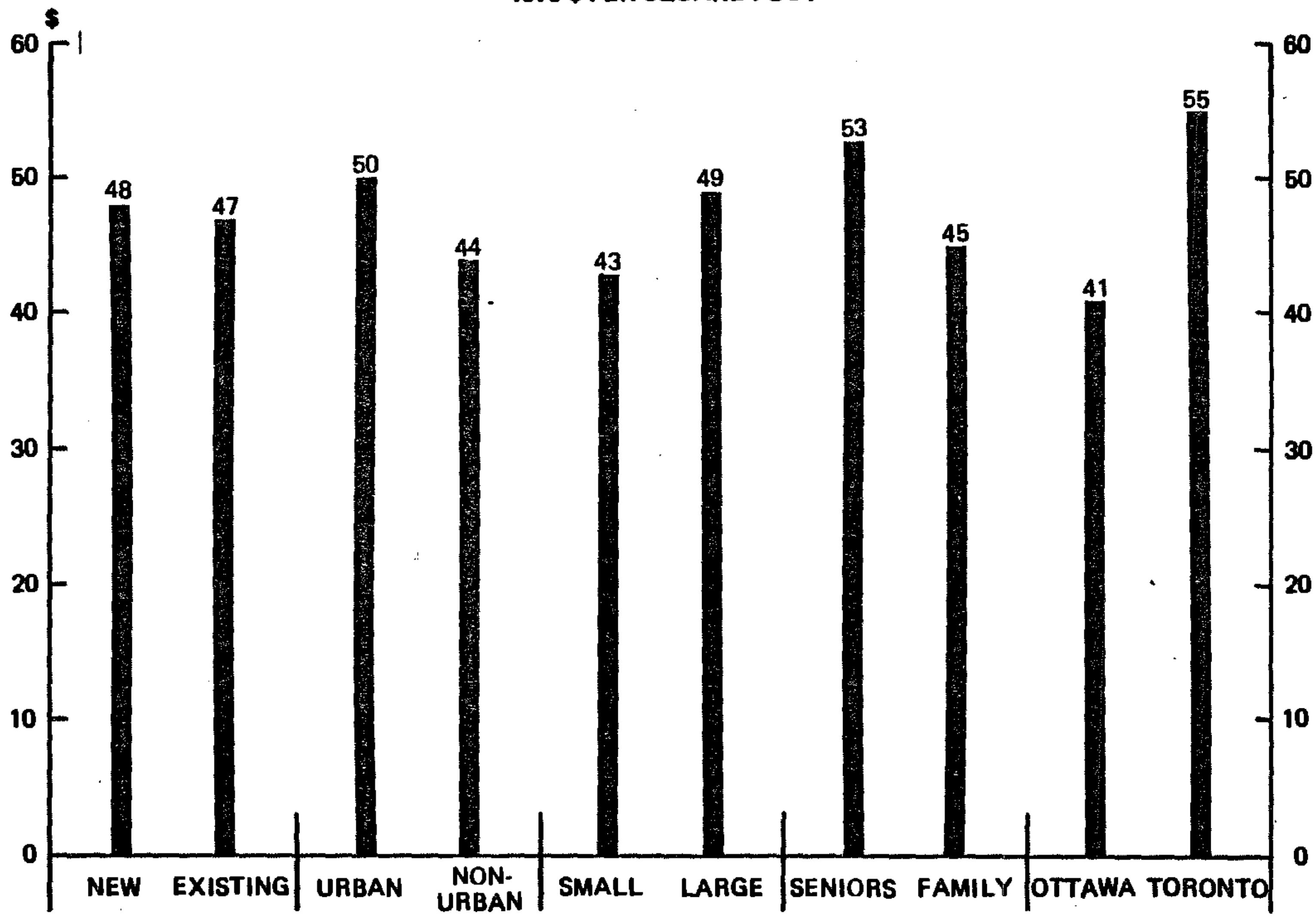
Category	Prime Factor		Secondary Factor	
New Program				
Small	New	5.72	Urban	2.46
	Existing	-3.88	Non-Urban	-3.63
Large	New	2.49	Urban	3.37
	Existing	-7.06	Non-Urban	-2.59
New	Urban	5.28	None	
	Non-Urban	-4.22		
Existing	Senior	5.00	None	
	Family	-0.31		
Urban	New	7.78	None	
	Existing	-5.66		
Non-Urban	New	1.61	Small	-1.19
	Existing	-2.68	Large	1.74
Family	New	5.66	Urban	2.39
	Existing	-4.60	Non-Urban	-3.64
Senior Citizen	Small	-2.22	Urban	3.84
	Large	4.45	Non-Urban	-1.28

Chart 2

PROJECT COSTS

OLD PROGRAM

1979 $ PER SQUARE FOOT



be various reasons for this result. It may be a function of more detailed higher quality specifications demanded by municipalities and of "sweat equity" input by PNPs and Coops. It does not appear to be a result of more expensive land based on the land data available.

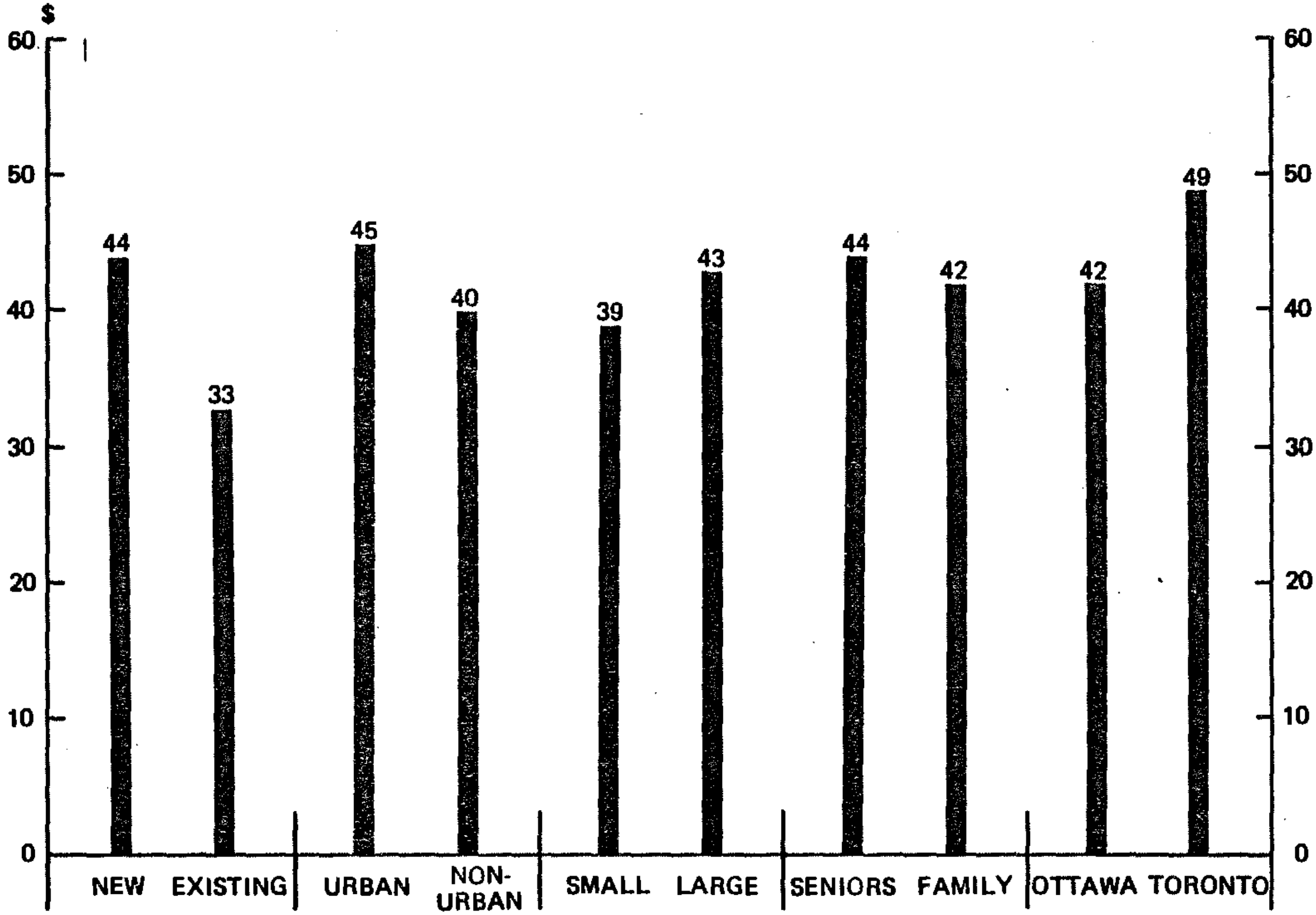
It appears that the square foot cost of building New Program projects is relatively lower than Old Program costs inflated by the New Residential Construction Price Index. (See Section 2.1 for the Index) This is apparent in comparing New Program construction costs with costs under the Old Program inflated by the index to 1979 dollars. Toronto buildings explain part of this variance. If they are removed from the Old Program figures, the average cost per sq. ft. drops to $44. There could be several reasons for this including larger units being built, tighter cost control, strict limits on Maximum Unit Prices (MUP's), poorer quality construction or more competitive bidding by contractors due to tight market conditions; certainly it is an interesting finding. It should be noted that the New Program costs data were based on CMHC application information and was the actual final cost in 3% of the cases; costs may have increased from what is shown here due to cost overruns when the projects were finalized. However, they would have had to increase an average of 20% to match Old Program costs; it is unlikely that cost overruns are the complete explanation for the differences between Old and New program costs. Units under the New Program are slightly larger (950 sq. ft. compared to 850 sq. ft. under the Old Program); this could also provide part of the explanation.

Chart 3

PROJECT COSTS

NEW PROGRAM

1979 $ PER SQUARE FOOT



2.1.1 Old Program Sub-Category Comparisons

Chart 2 shows, for projects built under the Old Program, comparisons among various subgroups. New construction projects were compared to existing projects that were bought either "as is" or renovated by non-profit or Coop groups. Renovation costs were included as part of the total development costs. The costs per square foot were similar for both types of construction. The classification analysis (see Table 2.1) indicated that urban or non-urban location of buildings built under the Old Program was the largest factor affecting the average square foot construction costs.

The next comparison was between urban and non-urban projects (see Appendix F for definitions). As could be expected the non-urban projects were less expensive than urban projects. This was a result not only of less expensive land but also, apparently, of lower construction costs for those projects where these items were shown separately.

The most important factor affecting the cost of urban projects was whether they were small or large (small buildings indicated lower cost in the analysis of variance). For non-urban buildings, the most important factor affecting cost was whether they were new or existing, followed by whether they were, senior citizen or family buildings.

Small projects were less expensive to build on a square foot basis than large projects ($49 vs. $43 per square foot). The Private Sector brief indicates that this is contrary to their experience. We investigated the relationship between size of project and family vs. senior citizen since both large and senior citizen

buildings are higher in cost per sq. ft. than their counterparts. The percentage of large senior projects was higher than small senior projects (see Table 2; 20.6% vs. 7.8%) which may partially explain the difference; however, 38.3% of the buildings were large family projects. We also looked at the number of large projects in urban locations but there were only slightly more (31.2%) than large non-urban projects (22.0%) so that higher urban costs do not appear to explain the difference. The higher cost may be due to the expense of incorporating elevators and safety features into high rise buildings or there may be other explanatory factors which are not apparent in the data.

The classification analysis indicated that for small buildings the most important factor was whether they were new or existing followed by whether they were urban or not. For large buildings the strongest factor was whether they were urban or not followed by whether they were senior citizen or family. It makes intuitive sense that the cost of small buildings would not be as affected as in the above by whether they were for seniors or families. It is likely that small senior buildings are often acquisitions and have fewer special features than larger senior citizen buildings.

As the chart shows Senior Citizen buildings are more expensive than Family buildings on a square foot basis primarily because the units are smaller but still incorporate the same features, so that on a per unit basis the costs are more comparable.

Senior citizen buildings under classification analysis were most strongly affected by whether they were small or large (see description of small buildings) and secondly by whether they were new or

existing. Existing buildings would not be specifically geared to seniors and consequently would not have small units (and higher costs per square foot) evident in new construction for seniors.

The projects in the cities of Ottawa and Toronto are also shown separately. These are the only two locations with more than 6 projects and represent two different market areas. Projects in the City of Toronto have been considerably more expensive per sq. ft. to build than those in Ottawa. This is due to two factors; land costs are higher in Toronto and the average size of the Toronto units was smaller than those in Ottawa.

2.1.2 New Program Sub-Category Comparisons

Chart 3 shows subgroup comparisons for New Program projects. Existing projects purchased and renovated under the New Program have been considerably less expensive per square foot (total costs including acquisition costs and renovation costs)than the newly constructed projects. Some of the New Program existing projects were large (over 100 units) and purchased at low cost per unit. This seems to account for much of the difference. The low purchase prices may have been the result of private sector perceptions that investment in rental properties was becoming less attractive due to the introduction of rent controls and a decision on their part to sell their rental properties to non-profit groups. Non-profit groups may also be becoming more experienced in selecting and negotiating for acquisitions.

The most important factor in the classification analysis (see Table 2.1) affecting existing projects was whether they were senior or family. (Under the Old Program this was the least important factor).

For new construction urban versus non-urban had the largest impact as was the case under the Old Program.

Again non-urban projects are less costly on a square foot basis than urban projects. The classification analysis indicated that whether non-urban projects were new or existing had the largest impact (as under the Old Program) followed by whether they were large or small. For urban buildings, whether they were new or existing had the largest impact.

Large projects under the New Program, as under the Old Program, have higher per square foot costs than small projects although they are just 10% higher as compared to 14% higher under the Old Program. Large building's costs were most heavily affected by whether they were new or existing followed by whether they were urban or non-urban. Small buildings were affected by the same factors in the same order.

The gap between seniors buildings and family buildings also seems to have narrowed (only 4.8% higher under the New Program compared to 17.8% higher under the Old Program). Seniors buildings in the classification analysis were most affected by whether they were large or small (as under the Old Program) followed by whether they were urban or non-urban. Family buildings were most affected by whether they were new or existing followed by whether they were urban or non-urban. With the exception of the relationship of new construction being more expensive than existing under the New Program all other relationships are the same for both Old and New Programs. (eg. Non-urban less expensive than Urban).

2.1.3 Senior Government Administrative Costs Related to Non-Profit Housing Production

Both C.M.H.C. and the Ministry of Housing incur costs in the production of non-profit housing. Although these are difficult to quantify, some analysis has been done to demonstrate the order of magnitude of these costs.

For the Community Housing Division of the Ministry of Housing direct operating costs per unit of housing produced in 1980 were estimated at $825. Costs associated with work carried out by appraisers and other M.O.H. staff outside the Community Housing Division have not been included.

C.M.H.C.'s administrative expense budget in 1980 was $115,513,000. This includes all levels of the corporation. During 1980 CMHC financed or insured a total of 170,517 units (including RRAP, Social Housing programs and NHA Insured loans). This implies a cost of $678 per unit on average. Because loans for the non-profit program would require higher than average staff time, this figure may be low.

Together, the two senior levels of government appear to spent approximately $1,500 per unit or roughly $1.67 per sq. ft. if an average unit size of 900 sq. ft. is assumed to administer the non-profit program. This cost is not charged to the projects.

SUMMARY STATEMENT

The square foot costs of developing Non-Profit buildings were slightly higher under the Old Program (when inflated to 1979 dollars) than under the New Program. ($48 compared to $42). Different types of buildings experienced different square foot costs of

development. Non-urban projects were the least expensive buildings constructed under the Old Program. Existing (renovated) projects were the least expensive buildings constructed under the New Program. The relationship between location and renovation with respect to cost is interesting and should be explored further by CMHC and M.O.H. inconjunction with their over-all social objectives for the New Program.

2. SUBSIDIES

2.2 Subsidies

A further concern is the subsidy being provided to households occupying non-profit housing projects. With the recent changes in non-profit funding and legislation, a calculation of subsidy levels and a comparison of subsidies provided by the old program and the new program are critical. In addition, subsidy data are particularly important in enabling analysis of the overall cost-effectiveness of non-profit housing versus other programs and policy alternatives for the delivery of low and moderate income accommodation. This Section of the Study, therefore, investigates the level of subsidies received by households in non-profit housing, compares subsidy levels under the old and new programs and compares subsidies received under the three types of non-profit programs.

We examined both capital and operating grants under the Old and New Programs to compare the impacts of various subsidies on the two levels of government and on shelter cost levels for residents in non-profit buildings. To calculate the latter impact, we converted capital subsidies to annuities to turn them into an annual impact (see Section 2.2.3).

2.2.1 Capital Subsidies

Table 2.2.1 opposite shows the capital grants per unit under the Old Program including those explicitly part of the non-profit housing program and those resulting from other government programs.

The Federal Sales Tax Rebate and Provincial Sales Tax Rebate applied to building materials for new construction projects. Only the Old Private non-profit projects received rebates under these

TABLE 2.2.1

CAPITAL
SUBSIDIES PER UNIT - OLD PROGRAM
(11,438 units)
($/unit at time of construction/acquisition)

	Federal Sales Tax Rebate	Provincial Sales Tax Rebate	RRAP	Start-Up*	CMHC Capital Grant* (Agreed upon costs-RRAP)X.1	Other Grants	Total
Old PNP	54	248	291	10	2,518	487	3,608
COOP	0	0	978	41	3,508	7	4,534
MNP	0	0	368	0	2,476	0	2,844

* Subsidies specific to the Non-Profit program.

Source: CMHC, MOH data

TABLE 2.2.2

CAPITAL
SUBSIDIES PER UNIT - OLD PROGRAM
(11,438 units)

	# Units	Federal Sales Tax Rebate	Provincial Sales Tax Rebate	RRAP	Start-up	CMHC Capital Grant	Other Grants	Total
Ottawa*	969	0	0	898	17	3,210	0	4,125
City of Toronto*	4,373	0	22	794	16	2896	4	3,732

* These two cities account for 47% of all non-profit units.

Source: CMHC, MOH data

programs according to the data; they averaged $54 per unit federal rebate and $248 per unit provincial. However, MNP's were also eligible for and received rebates; the data provided to us by M.O.H. did not show these so their magnitude is not known.

Only two of the cooperative projects are senior citizen; the rest are family buildings. For this reason, the average unit size is larger for Coops and the average unit costs proportionately higher. This accounts for the higher CMHC capital grant (10% forgiveness) for Coop projects.

The RRAP grants are also higher for Co-ops than for the other two types of projects. This is a result partially of the larger average size units for Co-ops. They also undertake a greater percentage of rehabilitation projects than PNP's (50% as compared to 33% for PNP). The final factor is the level of RRAP per unit for rehabilitated projects, which is somewhat higher for Co-op projects than for others (see Table 2.2.6). In a number of cases existing buildings were purchased by PNP's for which no RRAP funds were expended.

The "Grant" column was designed to show funds provided from sources other than those identified in the other columns. These grants relate to monies applied for by non-profits from sources such as Municipal Incentive Grants, Provincial funds from other ministries, funds from municipalities, Wintario grants, and L.I.P. grants. Further investigation by CMHC branch personnel revealed that some of these grants (such as Wintario) may not have been received but only appear on the application because they were applied for. For this reason, these other "Grants" may be overstated.

TABLE 2.2.3

CAPITAL
SUBSIDIES PER UNIT - OLD PROGRAM
(11,438 units)

	Federal Sales Tax Rebate	Provincial Sales Tax Rebate	RRAP	Start-Up	CMHC Capital Grant	Other Grants	Total
New Construction	31	143	89	13	3,040	279	3,595
Existing	0	0	1,464	21	2,202	8	3,695
Urban	0	66	599	12	2,724	4	3,405
Non-Urban	63	162	318	20	2,874	571	4,008
Small	12	36	1,047	44	2,342	129	3,610
Large	23	110	400	9	2,857	208	3,607
Seniors	54	221	32	4	2,354	488	3,153
Family	0	19	811	22	3,048	4	3,904

Source: CMHC, MOH data

The capital grants from CMHC are higher for the Ottawa projects than for City of Toronto buildings (see Table 2.2.2) in spite of the higher square foot costs for the Toronto projects. This seems to be primarily because the Ottawa units are considerably larger on average than the Toronto units. This does not seem to be related to Ottawa having more family buildings; non-profit projects in the City of Toronto are mostly family. It would appear that smaller units (in terms of sq. ft.) had to be built in Toronto to conform to the cost guidelines of the program. This could mean that bachelors and one bedrooms are under construction in Toronto and that vacancies may be a problem if the market prefers two and three bedroom units.

Table 2.2.3 shows capital subsidies for projects built under the Old Program, broken down into the subcategories listed on the left side of the page. The RRAP grant appears for some new construction projects where they were a mixture of acquisition and new construction. As expected, it is very small. The CMHC capital grant is larger for new construction than for rehabilitation projects. This is to be expected because the grant for existing buildings is based on acquisition costs before rehabilitation costs are added on; the total of the capital grant and the R.R.A.P. grant are more closely equivalent.

Per unit subsidies are higher for non-urban projects than for urban projects. This is a result of higher "other grants" and the difference is likely overstated (see Appendix C for description of "other grants". Some of these appear because they were applied for; however they were not received in all cases).

The RRAP grants are higher for small projects than for large ones because more small projects are renovations than new construction (28.4% vs. 17.7%) while more large projects are new construction than are rehabilitation (39.0% vs. 14.9%). Conversely, CMHC capital grants are higher for large projects, likely reflecting the higher costs involved in these developments; total capital grants are approximately the same for small and large projects.

Greater per unit capital subsidies are expended on family developments than on senior citizen developments. These are represented by higher RRAP costs and greater CMHC capital grants. Most rehabilitated buildings are family projects (43.3% vs. 1.4% Senior, Existing) thereby accounting for high RRAP subsidies. Family units are larger than senior citizen units which leads to larger CMHC capital grants for family units.

Table 2.2.4 shows capital subsidies per unit under the New Program. Operating subsidies now make up the majority of the assistance for the New Program. Originally, capital subsidies included Start-Up grants and RRAP grants and C.S.C.P (Since 1980 C.S.C.P. grants are no longer available). Approximately 90 percent of the New Program Co-op buildings are existing so the large RRAP grant can be expected for these projects relative to PNP and MNP. No data on other possible subsidies (Sales Tax Rebates, etc.) was provided.

TABLE 2.2.6

AVERAGE RRAP GRANT PER RRAP'ed UNIT

OLD PROGRAM

	Average RRAP Grant Per RRAP'ed Unit
New*	$1,154
Existing	1,742
Urban	1,549
Non-Urban	2,106
Small	1,646
Large	1,637
Seniors	1,573
Family	1,642
Old PNP	1,945
Co-op	2,299
MNP	923

* These projects were mixed existing and new construction; the RRAP applies to the existing units.

Source: CMHC, MOH data

TABLE 2.2.7

AVERAGE RRAP GRANT PER RRAP'ed UNIT

NEW PROGRAM

	Average RRAP Grant Per RRAP'ed Unit
New	$ Ø
Existing	3,062
Urban	2,033
Non-Urban	3,442
Small	3,017
Large	3,527
Seniors	3,239
Family	2,973
Old PNP	1,955
Co-op	3,707
MNP	Ø

Source: CMHC, MOH data

TABLE 2.2.4

CAPITAL SUBSIDIES PER UNIT
NEW PROGRAM
(3,723 units)

	CSCP	Start Up	RRAP	Total
New PNP	Ø	25	199	224
New COOP	Ø	54	1,593	1,647
New MNP	4,529	0	0	4,529

Source: CMHC, MOH data

Table 2.2.5 breaks down New Program capital subsidies into subcategories. As noted above, the structure of the New Program generally reduces the level of capital subsidies vis-a-vis the Old Program, except in the case of MNP's for which CSCP funds were available. (This program has been discontinued.)

There are some interesting changes in RRAP grant relationships relative to the Old Program. The grants are higher for for non-urban projects than for urban primarily because some large non-urban projects were purchased and extensively rehabilitated. The RRAP grants for senior citizen buildings are higher than family projects based largely on one senior citizen building of over one hundred units rehabilitated at a cost of $3,750/unit while the majority of the family RRAP projects were single units. Table 2.2.7 shows RRAP grants on average for rehabilitated units in New Program buildings; the relationships discussed above still hold.

TABLE 2.2.8

ANNUAL OPERATING SUBSIDIES $/UNIT
FOR INITIAL YEAR OF PROJECT'S OPERATION

	Federal Interest Writedown	Provincial* Rent Reduction Grant	Total
Old PNP	366	152	518
COOP	509	419	928
MNP	319	441	760
New PNP	3,270	0	3,270
COOP	3,309	0	3,309
MNP	3,693	267	3,960

*Includes provincial subsidies for care in bed facilities in a few cases.

Source: CMHC, MOH data.

TABLE 2.2.5

CAPITAL
SUBSIDIES PER UNIT
NEW PROGRAM

	CSCP	Start-Up	RRAP	Total
New Construction	1,406	16	0	1,422
Existing	Ø	47	1,947	1,994
Urban	2,783	15	154	2,952
Non-urban	177	29	626	832
Small	711	51	404	1,166
Large	1,610	14	403	2,027
Seniors	Ø	35	685	720
Family	1,406	12	330	1,748

Source: CMHC, MOH data.

2.2.2 Operating Subsidies

Table 2.2.8 shows clearly the different financial structures of the Old Program and the New Program; the New Program now relies on operating subsidies almost exclusively (since the C.S.C.P program was discontinued), while the Old Program contained a mix of operating and capital subsidies.

The Federal operating subsidy under the Old Program is calculated by taking the difference between an annual mortgage payment at the federal long-term bond interest rate for the year the project began its mortgage repayment and a mortgage at 8% (what the non-profit pays), both over a 50-year amortization period. This calculation was used because it relates to the actual cost to the government of providing low interest rate mortgages. These figures do not include Rent Supplement figures since they were not included in the initial year's data for each project. Data on current rent supplement payments is provided in Table 2.2.11.

TABLE 2.2.9

OPERATING SUBSIDIES $/UNIT
FOR INITIAL YEAR OF OPERATION
OLD PROGRAM

	Federal Interest Reduction	Provincial Rent Reduction Grant	Total
New	438	319	757
Existing	180	332	512
Urban	377	320	697
Non-Urban	413	320	733
Small	357	292	649
Large	396	326	722
Seniors	336	198	534
Family	424	399	823
Toronto	394	468	862
Ottawa	448	115	563

TABLE 2.2.10

OPERATING SUBSIDIES $/UNIT
FOR INITIAL YEAR OF OPERATION
NEW PROGRAM

	Federal	Provincial*	Total
New	3,680	109	3,789
Existing	2,408	Ø	2,408
Urban	3,465	179	3,644
Suburban	3,375	7	3,382
Small	2,830	26	2,856
Large	3,590	106	3,696
Seniors	2,425	0	2,425
Family	3,674	111	3,785
Toronto	3,885	200	4,085
Ottawa	3,246	293	3,540

*apply to MNP's only.

Source for both tables: CMHC, MOH data

The subsidy under the Old Program is higher for Coops, again because the units are larger and the cost per unit therefore higher; this translates to a higher interest reduction grant.

The Provincial subsidy is the Rent Reduction Grant estimated as required at the time each project was built as well as operating subsidies for a few care units. These are much lower for PNP's than for Co-ops or MNP's. The data indicate that many PNP buildings projected no need for provincial subsidy in the initial year; why this would be different from the Co-ops and MNP is not clear.

The Federal interest reduction subsidy (Rent Reduction Grant) for the New Program is highest for MNP's because of their higher per unit cost relative to Co-ops and PNP (this seems to be due primarily to higher square foot costs rather than to larger units).

The MNP at the start of the study were the only projects eligible for provincial operating subsidies under the new program. Recently the Provincial government announced the OCHAP* program which is designed to provide assistance to Private Non-Profit and Co-op buildings. MNP's total operating subsidies are high relative to Co-ops and PNP's which raises the question of whether these latter two types of projects can remain financially viable. The added new provincial OCHAP assistance will help to alleviate these potential problems, but it can only be applied to R.G.I. units. If the federal RRG is not sufficient to lower economic rents to market, PNP's and Co-ops could experience problems. (see Section 2.4)

Tables 2.2.9 and 2.2.10 opposite break down operating subsidies by subcategory for the old and the new program.

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* See Appendix G for definitions of terms.

The provincial subsidies under the Old Program are higher for family units than for senior citizen. This corresponds to PNP's not expecting to require provincial assistance; most of these projects are for senior citizens. These figures do not include rent supplement assistance and as a result are an understatement, particularly for Senior's buildings. Provincial subsidies to City of Toronto buildings (PNP, MNP and Co-op) are higher than for Ottawa; more of the Toronto units were family units.

For the New Program, the federal subsidies correspond closely to unit cost comparisons. Again the family projects are receiving provincial subsidy; these would represent family MNP's. Although the federal subsidy is higher for Toronto non-profit buildings (PNP, Coop and MNP) than for Ottawa's, the provincial subsidy is higher for Ottawa. Many of the Toronto non-profits did not show provincial grants, whereas nearly all the Ottawa buildings had some degree of provincial subsidy.

2.2.3 Impact of Subsidies on Shelter Cost

Tables 2.2.11 and 2.2.12 below show the impact on rent levels based on Old Program and New Program Co-op costs and subsidy levels. The capital subsidies shown in Table 2.2.1 have been converted to operating subsidies by amortizing them at 8% interest over 50 years to show the reduction in rents made possible by the subsidies. In Table 2.2.12, for the New Program, subsidies from Table 2.2.4 are amortized over 35 years at 11% since these are the average mortgage terms under the New Program. In order to determine what impact capital subsidies have on rent levels it is necessary to convert them to the equivalent of an operating subsidy; this is what the amortization process accomplishes.

The operating subsidies are taken from the various charts in the text and divided by 12 to obtain monthly figures.

NOTE: These two tables are not strictly comparable (see text)

TABLE 2.2.11

OLD PROGRAM COOP
($/unit)

Mortgage Payment (based on cost/unit of $36000 x .9) amortized over 50 years at 8% plus Interest Reduction Grant below)	$263.13
Operating Cost (1979 estimate)	175.00
	438.13
CMHC Capital Grant (from Table 1a amortized)	23.89
RRAP (from Table 1a amortized)	6.66
Interest Reduction Grant (Table 5)	42.42
Provincial Grant (Rent Reduction Grant) (Table 5)	34.92
Average Rent After Provincial Grant	330.24

TABLE 2.2.12

NEW PROGRAM COOP
($/unit)

Mortgage Payment (based on cost/unit $37000 amortized over 35 years at 2% plus CMHC RRG)	$399.09
Operating Cost (1979 estimate)	175.00
Economic Rent (Sum of Mortgage Payment and Operating Cost)	574.09
CMHC RRG (TAble 5)	275.75
RRAP (Table 3 amortized)	14.99
Provincial RRG (Not applicable to Co-ops)	0
Average Building Rent (if total RRG Used) (Actual Rent Collected is low end of market)	283.35

NOTE: These two tables are not strictly comparable. The Old Program buildings charge breakeven rent but under the New Program the non-profit group must charge low end of market rent for its units; this may mean that not all of the RRG grant is required, in which case the group returns the surplus funds at the end of the year.

SUMMARY STATEMENT

Subsidies under the New Non-Profit Programs are equally or more effective than those under the Old Program in assisting the provision of shelter for low and moderate income families. Subsidy data are provided to assist future policy and program development.

3. RESIDENTS IN NON-PROFIT BUILDINGS

2.3 Residents in Non-Profit Buildings

The Study also has been designed to look at characteristics of residents in non-profit housing and resident satisfaction with the accomodation provided. The characteristics of residents included:

- o length of tenure in the building
- o number of people in household
- o length of time they expect to live where they are
- o income of household.

The factors examined in relation to resident satisfaction included:

- o building management
- o quality of accommodation
- o location
- o facilities.

The major objectives of non-profit housing are to provide modest housing to low and moderate income households and to encourage a mix of income groups in non-profit projects. Concern has been expressed that a high proportion of the units in non-profit projects are accommodating households well beyond "moderate" income levels. Proponents of this viewpoint argue that, if this is the case, a significant level of public funds are being channeled towards households capable of competing on the free market, at the expense of those with more urgent need for financial assistance. They point out that not only does this reduce the dollars available to aid those with the greatest need; it may also reduce the size of the market for private sector housing.

While concern has been expressed that non-profit housing projects may over-emphasize accommodation for higher income households,

there are also questions as to the effectiveness of the programs in serving households at the lower ends of the income scale. This section therefore, examines the income floor being served by non-profits. Given that public housing production has all but ceased in Ontario as a result of sharp rises in operating deficits and continuing public opposition (especially to family projects) and given that low vacancy rates limit the potential availability of rent supplement units, it is critical that the performance of non-profits in meeting the needs of low income groups be measured and analyzed in terms of potential delivery capabilities. This section provides an analysis of the resident mix, based on socio-economic data of housing built under the non-profit housing programs based on socio-economic data gathered by means of a survey and from CMHC, M.O.H. and City of Toronto data.

2.3.1 Residents Satisfaction Responses

Each of the questions from the questionnaire was tabulated to determine the response for the total population; then answers were compared for market residents relative to RGI residents whose rent has been adjusted in relation to their income.

The question numbers correspond to those used on the questionnaire (see Appendix D). Table 2.3.1 lists the response analysis; the results are summarized below:

- 80% of all residents have moved in 1978 or later; this is higher for RGI than for market (81.5% vs 79.4%)
- only 6% of residents have two or more cars; 60% of RGI residents have no car compared to 42.3% of market residents
- 90.8% of households do not require day care; more RGI residents need daycare (15.5%) than market residents (7.6%)

TABLE 2.3.1

QUESTIONNAIRE ANALYSIS

Question #

1.

	Prior to 75	76	77	78	79	80
		Date Moved In				
Total*	7.6	4.9	7.4	23.4	31.8	24.8
Mkt*	8.5	5.3	6.8	23.4	31.4	24.6
RGI*	4.7	4.0	9.8	23.8	33.6	24.1

4.a) Rent Includes Heat?

	Yes	No
Total	72.5	27.5
Mkt	70.5	29.5
RGI	80.1	19.9

b) Electricity Included?

	Yes	No
Total	65.0	35.0
Mkt	63.3	36.7
RGI	71.4	28.6

c) Water Included?

	Yes	No
Total	87.3	12.7
Mkt	87.1	12.9
RGI	88.6	11.4

d) Parking Included?

	Yes	No (These may be residents who do not own cars.)
Total	53.8	46.2
Mkt	56.8	43.2
RGI	44.0	56.0

e) Cable Included?

	Yes	No
Total	40.8	59.2
Mkt	41.2	58.8
RGI	39.4	60.6

* Total shows response for total population (1986 responses).
Mkt shows response for market tenants (1,550) RGI for RGI tenants (456).

TABLE 2.3.1 (Con't)

5. Rent RGI?

	Yes	No
Total	21.9	78.0

7. How many parking spaces?

	0	1	2	more than 2
Total	46.3	47.6	5.6	0.5
Mkt	42.3	50.7	6.4	0.6
RGI	60.8	36.1	3.0	0.0

8. Day Care

	Don't Need	Need; Available in Building	Need; Not Available In Building	Need; Satisfactory Nearby
Total	90.8	0.8	4.9	3.5
Mkt	92.4	0.8	4.2	2.6
RGI	84.8	0.7	7.7	6.7

9. Expect to Move within the next 5 years?

	Yes	No
Total	85.4	14.6
Mkt	83.4	16.6
RGI	92.5	7.5

10.

	Buy House	Increase in Income	Change in Job	Rent too High	Housing Unsatis-factory	Move to Other Type Accom.	Other
Total	15.7	2.7	10.7	27.8	12.7	16.1	14.4
Mkt	16.0	1.9	12.1	28.0	12.5	16.3	13.2
RGI	14.6	7.3	2.4	26.8	12.2	24.6	22.0

12. Number of people in Household.

	1	2	3	4	5	more than 6
Total	46.7	26.4	11.6	10.1	4.0	1.2
Mkt	46.1	28.1	10.7	10.1	3.9	1.2
RGI	48.3	20.4	15.3	10.2	4.4	1.4

TABLE 2.3.1 (Cont'd)

13.a) Dependent Children in Household?

	0	1	2	3	more than 3
Total	70.1	12.1	12.6	3.9	1.3
Mkt	73.2	11.2	11.5	3.2	0.9
RGI	58.0	15.6	17.0	6.4	2.8

b) Other Dependents in Household.

	0	1	2	3	more than 3
Total	92.3	9.5	1.0	0.3	0.2
Mkt	88.5	10.1	1.0	0.3	0.1
RGI	92.4	6.7	0.7	0.0	0.2

6. Satisfaction Questions - Scale of 1 (very dissatisfied to 9 (very satisfied)

	Mean		Standard Deviation
a) Quality of Accommodation	6.64	Total	2.08
	6.52	Market	2.05
	7.07	RGI	2.09
b) Location of Building	7.13	Total	2.06
	7.09	Market	2.05
	7.30	RGI	2.08
c) Cost of accomodation	6.46	Total	2.32
	6.21	Market	2.29
	7.38	RGI	2.20
d) Building Management	6.52	Total	2.31
	6.39	Market	2.31
	6.99	RGI	2.26
3) Building Upkeep and Maintenance	6.46	Total	2.36
	6.37	Market	2.35
	6.80	RGI	2.35
4) Control of Noise	6.40	Total	2.39
	6.36	Market	2.34
	6.52	RGI	2.54
g) Onsite Community Facilities	6.11	Total	2.41
	6.10	Market	2.36
	6.11	RGI	2.56
h) Offsite Community Facilities	6.24	Total	2.22
	6.22	Market	2.18
	6.27	RGI	2.37

TABLE 2.3.1 (Cont'd)

i)	Transportation Facilities	6.86	Total	2.19
		6.81	Market	2.17
		7.03	RGI	2.25
j)	Parking Facilities	6.18	Total	2.55
		6.12	Market	2.52
		6.44	RGI	2.61

- 85.4% of residents expect to move within the next five years; this is higher for RGI (92.5%) than for market (83.4%)
- 14.6% of RGI residents expect to buy and move into a house in five years; 27.8% of residents expect to move because their rent is too high; this is about the same for RGI and market residents
- 46.7% of units have only one occupant (seniors)
- 41.8% of RGI households had one or more children compared to 26.8% of market households
- the satisfaction questions show the mean response to the question and the standard deviation of the responses. The satisfaction level is high for all questions (always greater than six average); for all questions the level of satisfaction was higher for RGI residents than for market residents.

Table 2.3.2 summarizes the income data from the RGI computer tape provided by the Ministry of Housing. As expected, the PNP show a higher percentage in the lowest income ranges since the majority of their projects are seniors. The Co-ops, which house mostly families, show a higher income range for RGI residents. Table 2.3.3 compares incomes for RGI households from the ministry's data with data collected in the survey for tenants who indicated their housing charges were adjusted based on their incomes. (q.5) The income range is slightly higher for survey responses than for the tape data which supports the claim that income data is reasonable (both the survey and the tape refer to 1979 income).

Of the R.G.I. households earning more than $15,000 (based on the M.O.H. tape) all but 1 (of a total of 55) were family households. Of the family households, incomes ranged from $15,172 to $24,500 and rents from $243 to $493. The number of occupants per household is shown below:

TABLE 2.3.2

RGI Residents % of Households in Each Category**

Income* (000's)	0-5	5-10	10-15	15-20	20-25
Old PNP	73.2	25.9	0.9	0.0	0.0
Old MNP (excluding Toronto)	51.2	33.3	12.7	2.8	0.1
Old COOP	33.1	45.9	19.9	1.1	0.0
New	57.6	32.1	9.3	1.0	0.0
Existing	42.0	39.3	15.5	3.0	0.1
Urban	52.4	33.0	12.2	2.3	0.1
Suburban	53.5	37.3	9.1	0.1	0.0
Senior	69.2	28.2	2.3	0.3	0.0
Family	43.5	37.8	16.3	2.4	0.1

* Based on M.O.H. RGI tape.

** No data available re: RGI households in New Program.

TABLE 2.3.3

RGI INCOMES QUESTIONNAIRE VS. MOH DATA (both based on 1979 Incomes)

	0-5	5-10	10-15	15-20	Over 20,000	Number of Responses
Questionnaire	45.3	35.8	13.9	4.0	0.6 (3 households)	(424)
MOH Data	52.8	34.4	11.2	1.7	0.1 (4 households)	(2,581)

Conclusion: Survey Reported Incomes Slightly Higher.

TABLE 2.3.4

NUMBER OF RESIDENTS PER RGI HOUSEHOLD EARNING OVER $15,000

Number of Residents	Number of Households Earning Over $15,000 With Number of Residents Show at Left
2 (single parent families)	2
3	5
4	18
5	11
6	6
7 or more	12

In general, the higher income RGI households tend to be large families.

2.3.2.1 Resident Income Profiles

Charts 4-9 summarize resident income data based on the questionnaire responses and the City of Toronto MNP data. All resident income data was aggregated by Woods Gordon. A description of the survey methodology and response rates is contained in Appendix C.

- Chart 4 summarizes the total population who responded to the questionnaire; 86% of the residents have incomes less than $20,000; there are a few higher income people but less than 4% earn more than $30,000.

- Chart 5 shows the dominance of low income seniors buildings that compose the PNP portfolio (see also Table 20).

- Chart 5 also shows income ranges for old MNP and coops; these are higher than for PNP because they house more families; their shelter cost structure is also higher (see Table 22). In all, 28% of Coop households reported more than $20,000 income, compared to 15% in MNP and 14% in PNP.

- Chart 6 compares incomes for small and large projects; the income range is lower for small projects as is the rent structure. This may be due to the lower sq. ft. development costs of smaller projects.

Chart 4

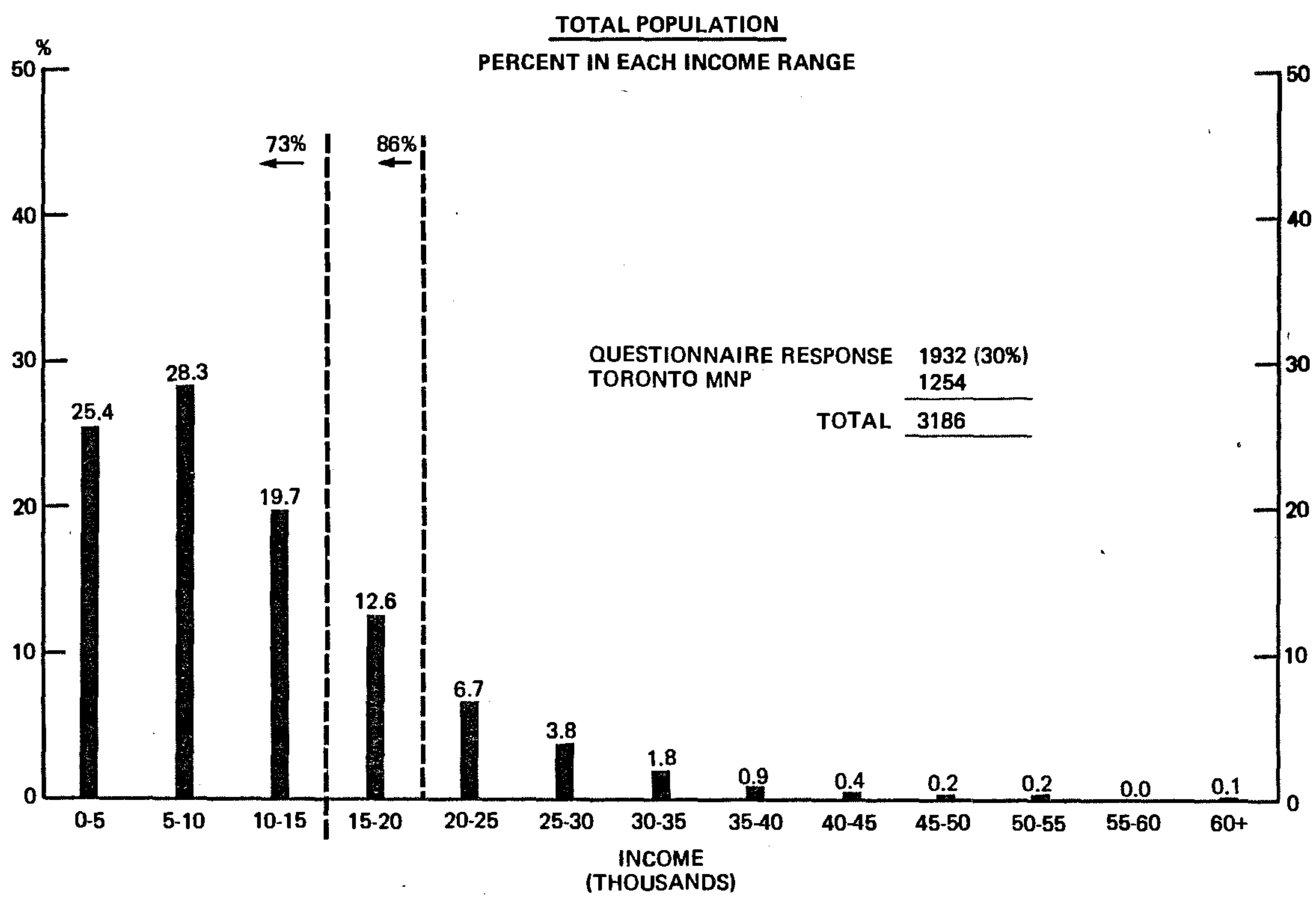

TOTAL POPULATION
PERCENT IN EACH INCOME RANGE
%
50
40
30
20
10
0
73%
86%
25.4
28.3
19.7
12.6
6.7
3.8
1.8
0.9
0.4
0.2
0.2
0.0
0.1
0-5
5-10
10-15
15-20
20-25
25-30
30-35
35-40
40-45
45-50
50-55
55-60
60+
INCOME
(THOUSANDS)
QUESTIONNAIRE RESPONSE 1932 (30%)
TORONTO MNP 1254
TOTAL 3186

Chart 5

OLD PROGRAM — PNP, MNP, COOP

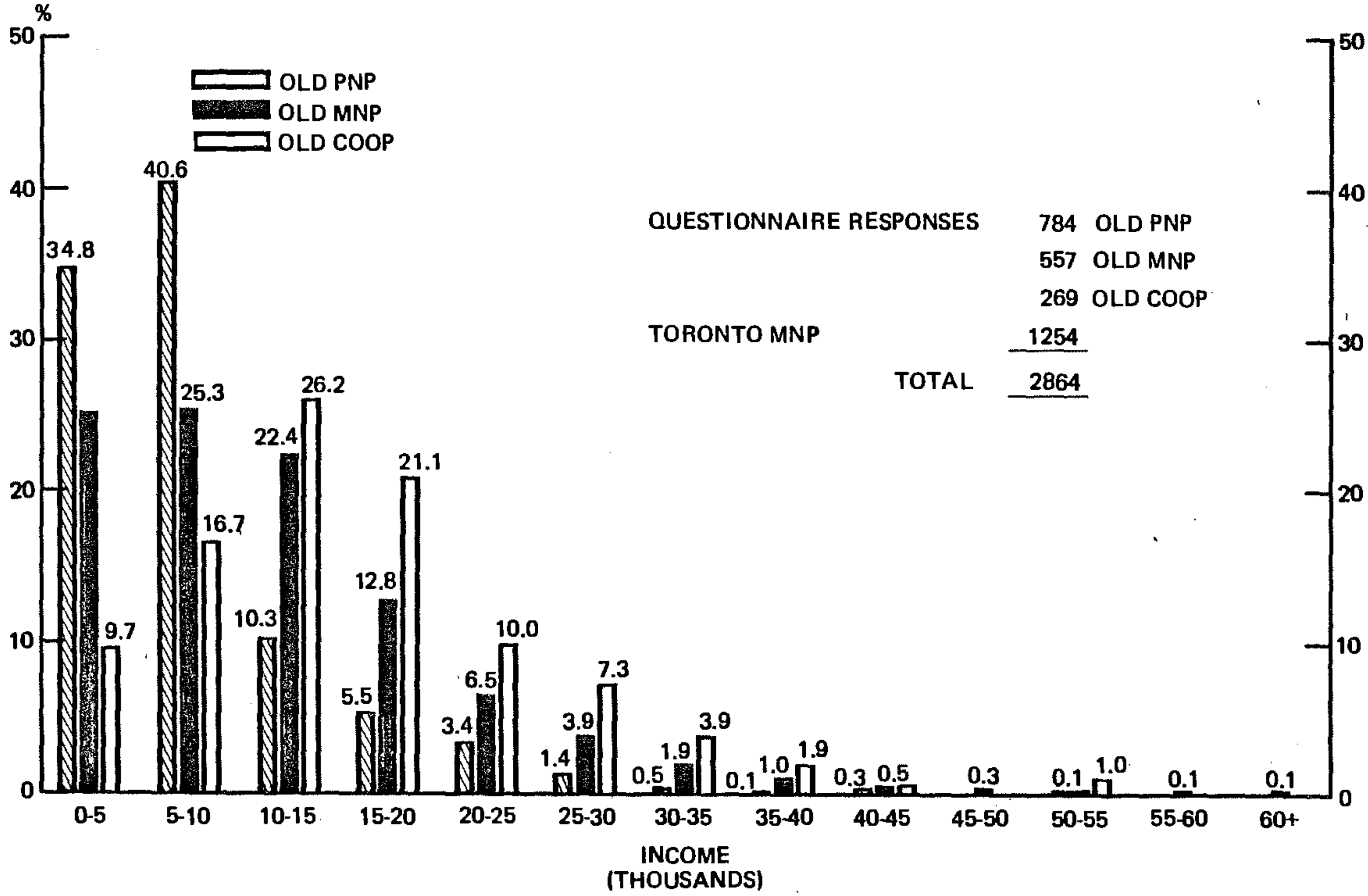


Chart 6

LARGE (> 50 UNITS) vs. SMALL (≤ 50 UNITS)

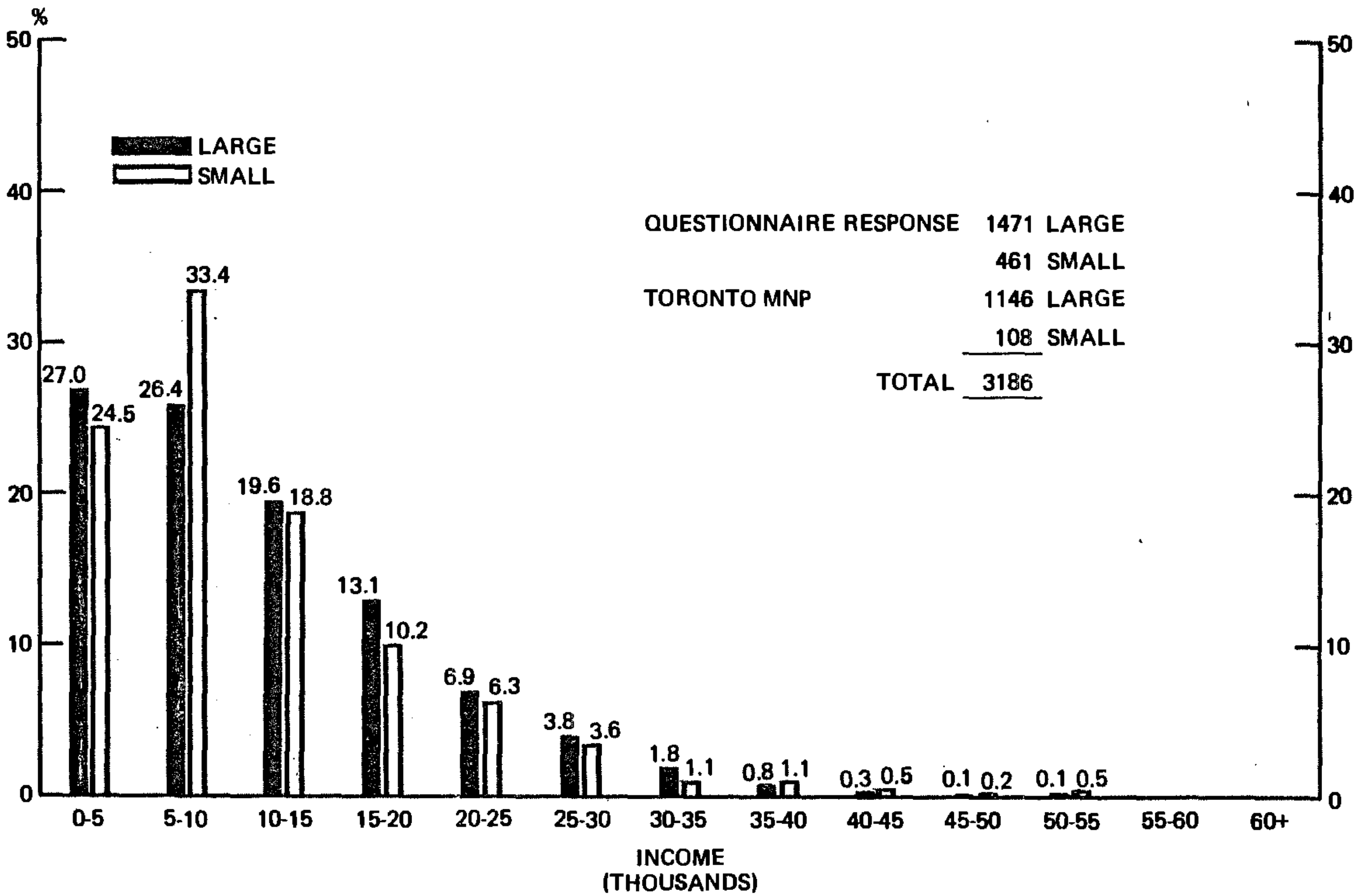


Chart 7

URBAN vs. NON URBAN

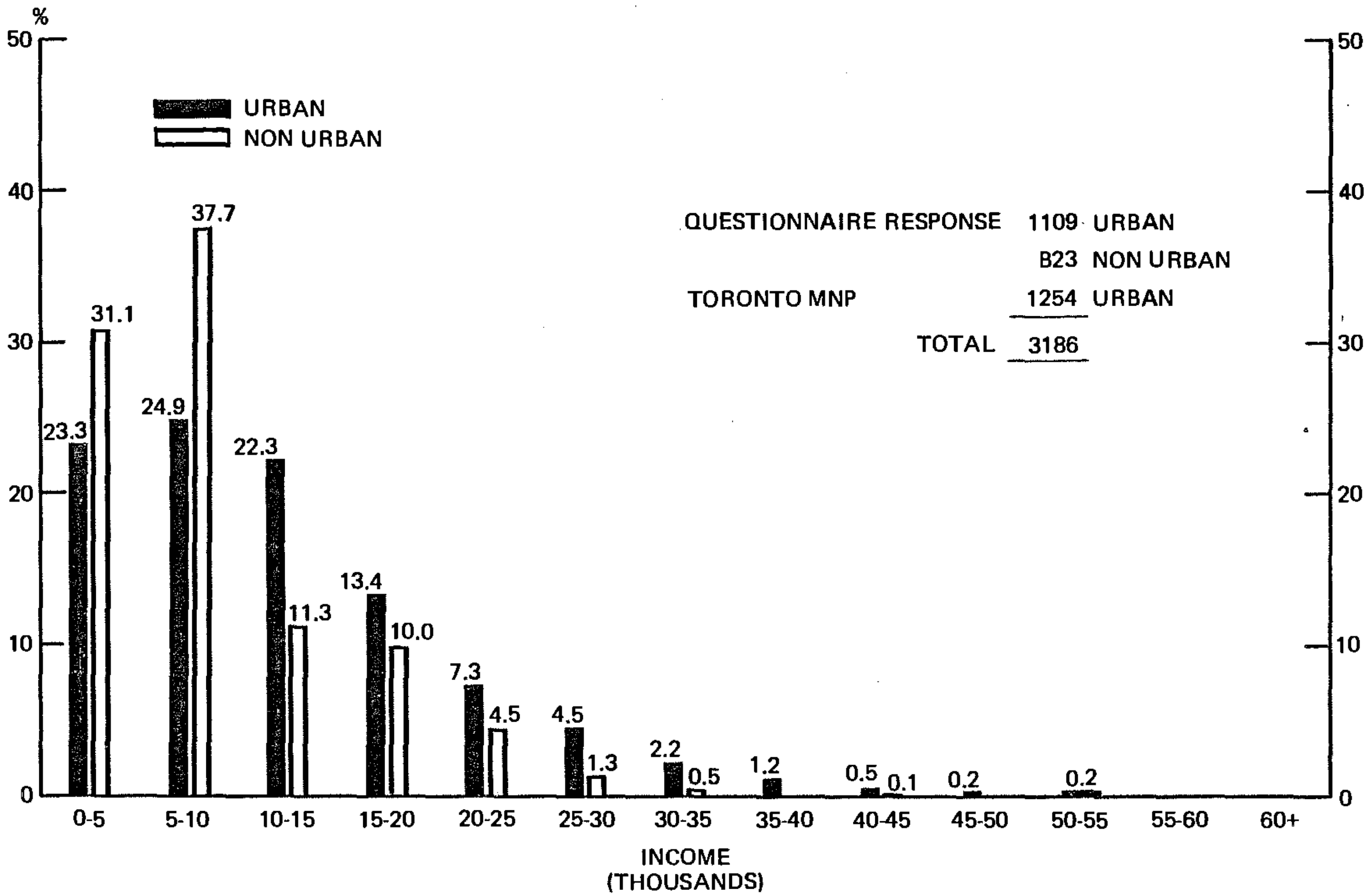
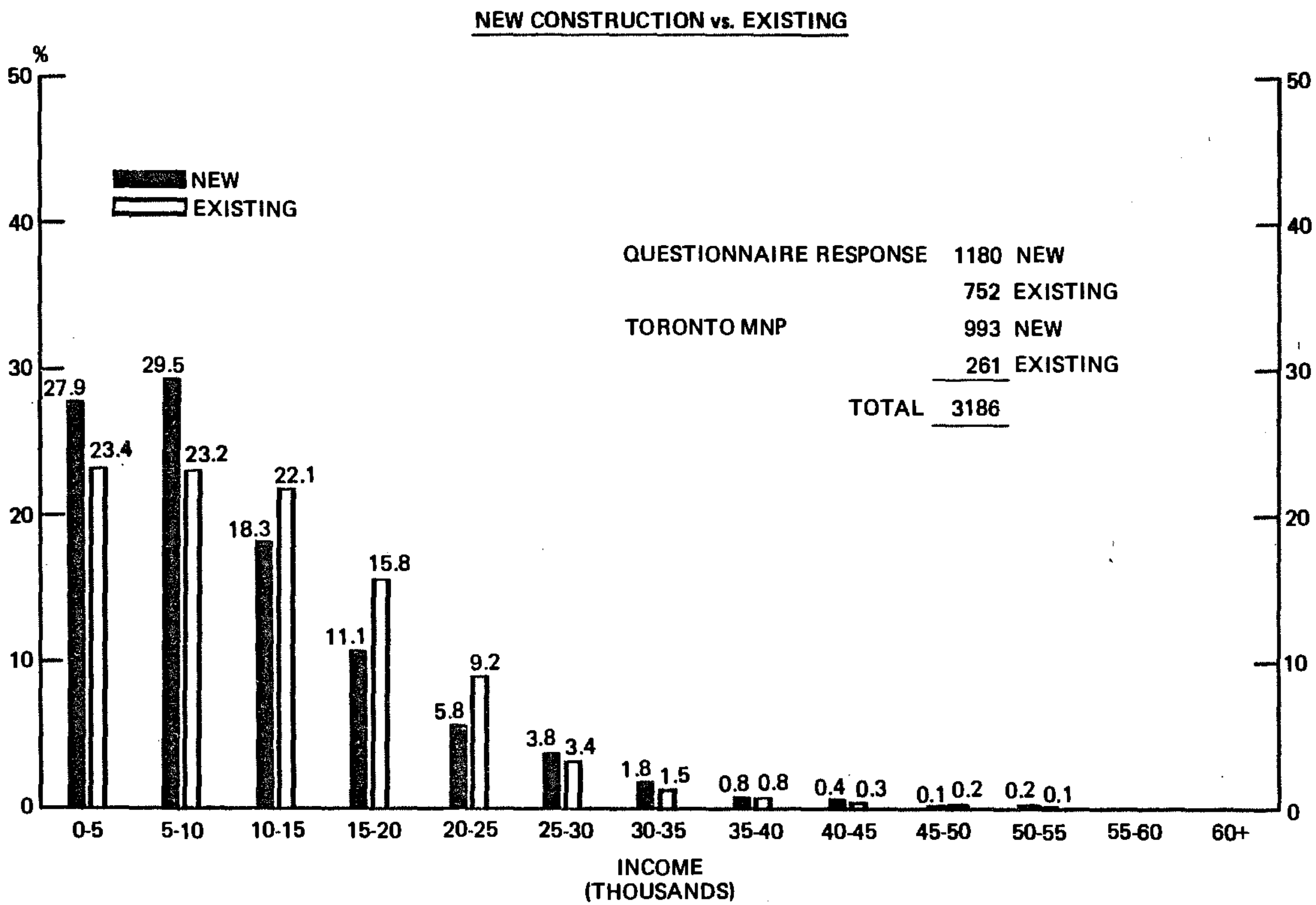


Chart 8



NEW CONSTRUCTION vs. EXISTING
%
50
40
30
20
10
0
NEW
EXISTING
QUESTIONNAIRE RESPONSE 1180 NEW
752 EXISTING
TORONTO MNP 993 NEW
261 EXISTING
TOTAL 3186
27.9
23.4
29.5
23.2
18.3
22.1
11.1
15.8
5.8
9.2
3.8
3.4
1.8
1.5
0.8
0.8
0.4
0.3
0.1
0.2
0.2
0.1
0-5
5-10
10-15
15-20
20-25
25-30
30-35
35-40
40-45
45-50
50-55
55-60
60+
INCOME
(THOUSANDS)

Chart 9

SENIOR CITIZEN vs. FAMILY

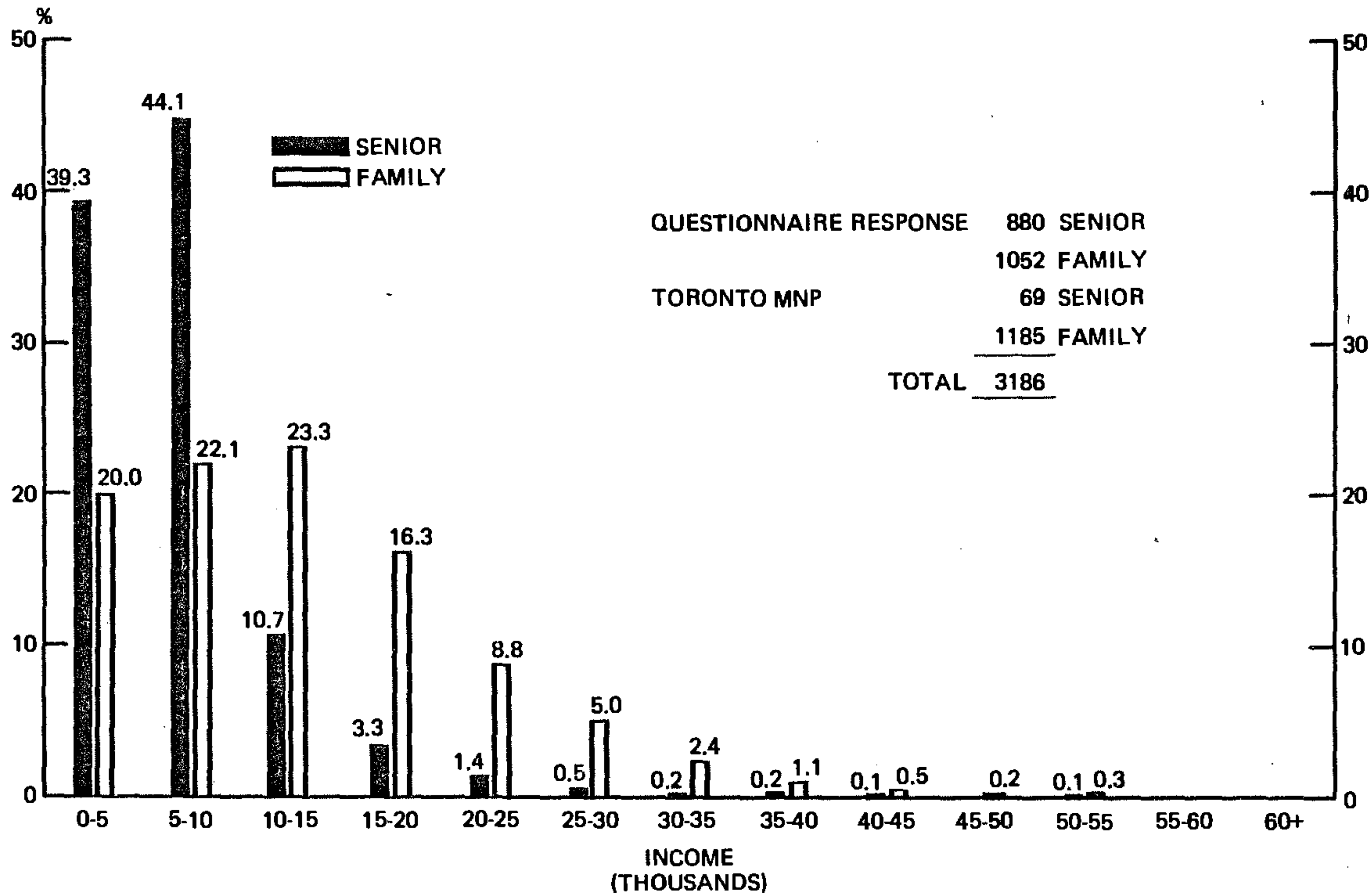


TABLE 2.3.5

Measure of Income Mix By Building
(For Buildings With More Than 5 Responses)

Category	Total Number of Buildings in Category with More Than 5 Responses	Number of Buildings with 0-25% of Respondents Earning More Than $20,000	Number of Buildings with 25-50% of Respondents Earning More Than $20,000	Number of Buildings with 50-75% of Respondents Earning More Than $20,000
Total Population	71	33	10	1
Old PNP	31	9	2	0
Old MNP	12	7	4	0
Old Co-Op	21	13	2	1*
New (all)	7	4	2	0
Small	36	13	2	1
Large	35	20	8	0
Urban	38	20	8	1
Non-Urban	33	13	2	0
New	36	17	3	1
Existing	35	16	7	0
Senior Citizen	20	10	0	0
Family	51	23	10	1

* 14 responses from a co-operative project.

Source: Woods Gordon Resident Satisfaction Survey

- Chart 7 compares urban projects with non-urban projects; as expected the income range is higher in urban buildings as are rents. This relates to higher development costs for urban buildings and the fact that the majority of the urban projects are family whereas the non-urban projects are split between family and seniors.

- Chart 8 compares new construction and existing buildings; new construction have lower income ranges and slightly lower shelter costs in spite of similarities in construction costs per square foot and units of comparable size. This seems to be due to the fact that nearly all of the existing buildings are family whereas the new construction are split between family and senior. Tenants in buildings that are acquired under the program are given the option of continuing to live there; this could also tend to raise income levels in these buildings.

- Chart 9 points out the very low incomes in senior citizen buildings relative to family buildings.

Table 2.3.5 demonstrates how income mix varies among projects. Although overall there is a mix which emphasizes low and moderate income residents with some higher income residents, some categories have higher income residents than others. In particular, Family buildings (10 out of 51), Urban buildings (8 out of 38) and Large buildings (8 out of 35) have higher numbers of buildings with 25-50% of residents earning over $20,000. There was one Co-op building for which 14 responses were received of which more than half earned over $20,000.

2.3.2.2 Housing Charge/Income Relationship

Tables 2.3.6-2.3.12 summarize the analysis of housing charge as it relates to income. For each subcategory, the housing charge reported on the questionnaire was expressed as a percentage of income reported. These were grouped for each income range into:

- households paying less than 25% of income on housing charge

- o households paying 25-30% of income on housing charge
- o households paying over 30% of income on housing charge.

The same analysis was done for the Toronto MNP data separately, based on the survey the City of Toronto conducted and the rents provided for individual units. (see Table 18) Tables 16, 17, 19, 20, 21, 22 are based solely on the survey data.

The survey, for reasons stated in Appendix C, asked residents for the $5,000 income range into which their 1979 income fell. This meant that a direct comparison of exact income to housing charge could not be made. The income used was the top income for the range. For example, if the resident indicated a household income of $5,000 - $10,000, an income of $10,000 was used in the analysis. This means that the percentages of households paying under 25% and 25-30% of their incomes on housing charges, will be overstated to some degree and the percentage paying over 30% of income on housing charge will be understated to the same degree. As well, 27% of households pay their own heat and 35% their own electricity bills which would increase their housing charge from the levels used in the analysis.

The tables indicate that:

- o Overall in the survey at least 22% of households indicated they were paying over 30% of income on housing charges (for the Toronto MNP this figure was 17%).
- o Old PNP show the highest percentage (30%) of households in the over 30% category because of the predominance of senior citizens in PNP buildings.
- o Senior Citizens show 32% of their households paying greater than 30% of income on housing charge; this compares to 14% for family buildings.
- o The percentages of each income group paying greater than 30% of income on housing charges are highest for the two lowest income groups. For example 64% of senior citizens in the $0-5,000 group and 71% of families in this group pay over 30% of income on housing charge.

- All households with incomes over \$20,000 pay less than 25% of income on housing charge based on our method of analysis. This may not in fact be true for all households since we assumed incomes were at the top of each \$5,000 interval.

TABLE 2.3.6

Housing Charge/Income Relationship
Total Surveyed Population
(Excluding Toronto MNP)

Income Range	% of Households in income range at left Paying 0-25% of Income on Housing	% of Households in income range at left Paying 25-30% of Income on Housing	% of Households in income range at left paying more than 30% of Income on Housing
$ 0- 5,000	30	4	66
5-10,000	56	25	18
10-15,000	80	16	3
15-20,000	98	2	0
Over 20,000	100	0	0
TOTAL	66	12	22

TABLE 2.3.7

Housing Charge/Income Relationship

Income Range	% of Households in income range at left Paying 0-25% of Income on Housing	% of Households in income range at left Paying 25-30% of Income on Housing	% of Households in income range at left paying more than 30% of Income on Housing
OLD PNP			
$ 0- 5,000	29	1	70
5-10,000	67	28	6
10-15,000	89	9	2
15-20,000	100	0	0
Over 20,000	100	0	0
Total	56	14	30
OLD MNP (excluding Toronto MNP)			
$ 0- 5,000	43	6	51
5-10,000	39	27	35
10-15,000	72	22	6
15-20,000	98	2(2)	6
Over 20,000	100	0	0
Total	65	14	21
OLD CO-OP			
$ 0- 5,000	30	3	68
5-10,000	63	9	28
10-15,000	85	14	1
15-20,000	96	4	0
Over 20,000	100	0	0
Total	82	6	12

TABLE 2.3.8

Housing Charge/Income Relationship
City of Toronto MNP

Income Range	% of Households in income range at left Paying 0-25% of Income on Housing	% of Households in income range at left Paying 25-30% of Income on Housing	% of Households in income range at left paying more than 30% of Income on Housing
$ 0- 5,000	65	9	27
5-10,000	67	24	9
10-15,000	78	21	1
15-20,000	83	17	0
Over 20,000	100	0	0
Total	67	16	17

TABLE 2.3.9

Housing Charge/Income Relationship

Income Range	% of Households in income range at left Paying 0-25% of Income on Housing	% of Households in income range at left Paying 25-30% of Income on Housing	% of Households in income range at left paying more than 30% of Income on Housing
SMALL (Less than 50 Units)			
$ 0- 5,000	13	3	83
5-10,000	77	16	7
10-15,000	81	19	0
15-20,000	97	3	0
Over 20,000	100	0	0
Total	64	10	26
LARGE (Over 50 Units)			
$ 0- 5,000	38	4	58
5-10,000	47	29	24
10-15,000	80	16	4
15-20,000	98	2	0
Over 20,000	100	0	0
Total	67	13	20

TABLE 2.3.10

Housing Charge/Income Relationship

Income Range	% of Households in income range at left Paying 0-25% of Income on Housing	% of Households in income range at left Paying 25-30% of Income on Housing	% of Households in income range at left paying more than 30% of Income on Housing
URBAN			
$ 0- 5,000	37	3	60
5-10,000	49	22	28
10-15,000	79	18	4
15-20,000	97	3	0
Over 20,000	100	0	0
Total	70	11	19
NON-URBAN			
$ 0- 5,000	25	4	71
5-10,000	64	29	8
10-15,000	86	12	3
15-20,000	100	0	0
Over 20,000	100	0	0
Total	60	14	26

TABLE 2.3.11

Housing Charge/Income Relationship

Income Range	% of Households in income range at left Paying 0-25% of Income on Housing	% of Households in income range at left Paying 25-30% of Income on Housing	% of Households in income range at left paying more than 30% of Income on Housing
NEW CONSTRUCTION			
$ 0- 5,000	30	1	69
5-10,000	57	28	15
10-15,000	81	15	4
Over 20,000	96	4	0
Total	63	13	25
EXISTING			
$ 0- 5,000	32	11	57
5-10,000	55	19	27
10-15,000	79	18	2
15-20,000	99	1	0
Over 20,000	100	0	0
Total	72	11	17

TABLE 2.3.12

Housing Charge/Income Relationship

Income Range	% of Households in income range at left Paying 0-25% of Income on Housing	% of Households in income range at left Paying 25-30% of Income on Housing	% of Households in income range at left paying more than 30% of Income on Housing
SENIOR CITIZEN			
$ 0- 5,000	34	2	64
5-10,000	56	29	15
10-15,000	96	1	2
15-20,000	100	0	0
Over 20,000	100	0	0
Total	54	14	32
FAMILY			
$ 0- 5,000	22	7	71
5-10,000	56	19	24
10-15,000	74	22	4
15-20,000	98	2	0
Over 20,000	100	0	0
Total	76	10	14

2.3.3. Source of Income

Source of income was tabulated based on the questionnaire results. Of those who reported a Primary Source of income, 63% indicated a government source; 37% received the majority of their income from non-government sources.

57.2% of the households did not report a secondary source of income. Of those who did, 34% had a non-government secondary source of income; 66% a government secondary source.

These were then categorized by Seniors vs. Family households. 73.1% of seniors who responded indicated a governmental primary source (pensions primarily). 30.9% did not indicate a secondary source of income. Of those who did, 68.5% had a governmental secondary source.

For family households, 44.7% indicated a non-governmental primary source of income (55.3% a governmental primary source). A high percentage (72.1%) indicated no secondary source of household income. For those who had a secondary source, 38.4% indicated it was non-governmental (61.6% governmental).

SUMMARY STATEMENT

Non-profit housing is serving primarily low and moderate income households and providing a living environment considered quite satisfactory by most residents. However, affordability problems are being experienced by some residents.

- 86% of residents in non-profit accommondation earn less than $20,000 per annum.
- 25% of residents in non-profit accommodation earn less than $5,000 per annum.

- 64% of senior citizens with incomes of less than $5,000 per annum pay over 30% of their income for accommodation.

The relationship between income and cost of accommodation is an important one. Many non-profit housing residents are having their accommodation needs met by the non-profit housing programs but at a cost which may present affordabilty problems to them. The Ministry of Municipal Affairs and Housing and Canada Mortgage and Housing Corporation should review critically these findings and their policy implications.

4. FUTURE FINANCIAL IMPLICATIONS

2.4 Future Financial Projections

A further concern regarding the new non-profit programs is the long-term financial implications for individual projects. While projects may appear viable initially, there are concerns regarding the possibility of unforeseen circumstances causing default and/or additional unexpected financial contributions being required by government.

An example of the potential for such problems arises in examining operating costs in projects funded under the 1973 program. Because mortgage payments are stable at 8% while operating costs are subject to inflation, operations over time reflect a growing proportion of cash flow requirements. The rapid increases in heating and hydro rates experienced in recent years, therefore, are having an increasing effect on end rents. Largely for his reason, some non-profit organizations have found it necessary to raise rent levels sharply to meet costs. While large municipalities may have sufficient resources to proceed in the face of such problems, smaller organizations may be faced with the prospect of seeking further financial contributions from government or defaulting. Non-profits which acquired and renovated older housing units prone to continual repair may also be facing future difficulty, particularly if insufficient reserves are being set aside for future contingencies. By evaluating future scenarios, the Study evaluates the financial consequences of various levels of escalation in operating costs in projects developed under both the Old and New Program.

2.4.1 Assumptions

The assumptions used in the projections of future operations are stated in Tables 2.4.1 (Old Program) and 2.4.2 (New Program). They were derived as follows:

- o Project cost per unit is based on average original costs per unit for various programme types (old PNP and MNP were approximately equal so separate runs were not made for these).
- o Operating costs for the old program were estimated at $175/unit which is an average level for buildings providing heat, light, etc.*; for the new program the operating costs were based on the average estimated operating costs as shown on the loan application forms.
- o Monthly market rent (New Programme) was based on projected averages for new PNP and co-ops and an estimate between these for MNP for which data was unavailable; the projection program for the Old Program projects generates a rental for the building designed to break even.
- o The operating costs were assumed to increase in different scenarios at 9% and 15% respectively; based on the data available for projects with 3 or more years of operating costs, the average annual rate of increase was 12%. It is possible that the buildings submitting operating cost data are more efficiently run than average. Certainly 15% increases are not unlikely for some projects.
- o The market interest rate was assumed to be 11% or 15% respectively in the different scenarios.
- o For the New Program rents were assumed to increase at 0% and 6% respectively in the two different scenarios.
- o The results of the analysis are shown in Tables 2.4.1, 2.4.2 and 2.4.3. The subsidies shown are the net present value (at 10%) over 35 years of the subsidy in each category, per unit.

2.4.2 Old Program Projections

The M.O.H. financial model for the Old Program assumes that the housing charge per unit will rise to cover the increases in

* Based on Income Expense Analysis, Apartments, Institute of Real Estate Management.

35 years/per unit

	SCENARIO NUMBER	IAL N	TOTAL ASSISTANCE
MNP	1		36,920
Seniors	2		86,741
	3		46,335
	4		96,131
Co-op	5		29,766
Family	6		54,281
	7		42,762
	8		67,277
Co-op Seniors	9		44,774

Source: CMHC, MOH data;

operating costs encountered. This may be unrealistic where these units must compete in the market with units subject to rent control. For this reason, the subsidies in the scenarios where operating costs increased at 15% may be understated.

- Total subsidies under the Old Program in various scenarios are lower than for the New Program. This is because the model assumes rents on non-RGI units will rise to cover increases in operating costs.

- It is apparent that operating cost increases have the largest impact on subsidy levels (or project financial viability). Scenario 2 compared with Scenario 1 demonstrates this; the only difference is operating costs increasing at 15% and 9% respectively but the present value of the total subsidy increases by 2.3 times. The difference is less severe in Scenarios 5 and 6 because only 25% of the units are RGI compared to 50% in the MNP example. This indicates potential problems not only for Non-Profits but for all rental projects if operating costs rise rapidly while rent increases remain at 6% (including A.R.P.).

- In Scenarios 2 and 4 (high operating costs) rents must increase an average of 12.4% compounded in order for the project to remain financially viable; this rate of increase in a rent control environment is unlikely to be feasible.

- In Scenarios 6 and 8 (high operating costs) the rents for non-RGI units must increase an average of 11.9% in order for the project to remain economically viable; again this is unlikely.

- If rents on non-RGI units increase at 12% per annum, the residents who occupy these units will need higher and higher incomes. This implies a widening gap between income levels of RGI residents and market residents to the detriment of the income mix goal of the program.

- in Scenario 9 where 50% of the units are RGI, the other unit rents must increase an average of 6.8% compared to 6.6% in scenario 5 which has 25% RGI units.

- The interest rate scenarios, while they do not strictly reflect actual costs to the government or the projects themselves because mortgages were written for 30-year terms, do indicate implicit savings which the projects have obtained by not having to renew mortgages in today's market.

FUTURI

	Scenario Number	Annual Growth Rate of Rental Income	Rat	LUE AT 10% OVER 35 YEARS/PER UNIT SSISTANCE AVAILABLE PROVINCIAL* RRG	PROVINCIAL* OVERRIDE	TOTAL ASSISTANCE
MNP	1	6%		19,551	5,888	60,854
	2	0		24,034	16,739	87,080
	3	6		24,159	65,716	183,159
	4	6		22,505	4,395	76,102
	5	0		34,432	72,700	224,639
	6	10		22,034	44,750	141,102
PNP	7	6		∅	∅	25,480
	8	0		∅	∅	25,480
	9	6		∅	∅	25,480
	10	6		∅	∅	38,607
	11	0		∅	∅	38,607
Co-op	12	6		∅	∅	25,098
	13	0		∅	∅	25,098
	14	6		∅	∅	25,098
	15	6		∅	∅	37,450
	16	0		∅	∅	37,450

Source: CMHC, MOH data; Woods Gordon Assumptions; ; were not eligible for Provincial assistance or
ınce when the Study began. The OCHAP program has
but applies only to R.G.I. units. It has not
analysis.

2.4.3 New Program Projections

The financial model for the New Program allows explicit assumptions to be made about rent increases rather than assuming that they increase automatically.

Under the New Program rents are annually adjusted to lower end of market (rents under the Old Program are adjusted less frequently and have sharper increases as a result). For the operating cost data we received (29 projects with two or more years data) the rents increased 4.8% annually on average. While rent review is a factor in the market place (non-profit buildings are exempt from rent review), it is unlikely that rents in non-profits can increase much more rapidly than 6% and still compete for market tenants. However, one scenario was done with rents increasing at 10% and operating costs at 15% (Scenario 6). This rent increase was not sufficient to offset the increase in operating costs although total subsidies are less than Scenario 3.

- Although high interest rates have received extensive publicity recently, operating costs again have the greatest impact on subsidy levels. This has implications in terms of design criteria intially; where initial changes in design can reduce future operating costs without huge capital outlays these should be incorporated. It is also clear that operating costs should be monitored closely and should be the subject of guidance provided to project managers by the federal or provincial government.

- The impact of high interest rates is also significant (Scenarios 4, 10, 15) although not as strong as rising operating costs.

- For MNP the levels of subsidy increase dramatically where operating costs increase at 15% (Subsidies in Scenario 3 are 3 times those in Scenario 1).

- P.N.P. and Co-op buildings do not receive the same subsidies as MNP. They are eligible for OCHAP funds but these can only be applied to RGI units. Table 2.4.3 shows the rent increases necessary for PNP and Co-op buildings under the various scenarios shown in Table 2.4.2. If operating costs increase

TABLE 2.4.3

PNP AND CO-OP
NEW PROGRAM PROJECTIONS

	Scenario Number (see Table 24 for assumptions)	Scenario Name	Annual Rent Increase Required for Project to remain economically viable (%)
PNP	7	RGI Rents increase at 6%, operating costs at 9%	8.0
	8	RGI Rents do not increase	8.2
	9	Operating costs increase at 15%	13.9
	10	Interest Rate 15%	8.0
	11	Worst Case	13.9
Co-op	12	RGI Rents increase at 6%, operating costs at 9%	7.3
	13	RGI Rents do not increase	7.5
	14	Operating costs increase at 15%	13.1
	15	Interest Rate 15%	7.3
	16	Worst Case	13.1

MNP AND CO-OP
OLD PROGRAM PROJECTIONS

MNP	1	Operating costs increase at 9%	7.2
	2	Operating costs increase at 15%	12.4
Co-op Family	5	Operating costs increase at 9%	6.8
	6	Operating costs increase at 15%	11.9
Senior Citizen	9	Operating costs increase at 9%	6.8

at 15% (scenarios 9, 11, 14 and 16 rents must increase at 13.1 to 13.9% to compensate). These rates will be difficult to obtain in the present market and if they were obtainable would lead to large gaps between market and R.G.I. tenants.

The conclusion to be drawn from this analysis is that controllable operating expenses such as maintenance, energy costs and administration should be closely monitored, both by the management of the buildings and by CMHC and MOH since it affects the subsidies they pay. Where some buildings operate more efficiently than others, an explanation should be sought. Experience with paring costs should be shared and advice provides on controlling costs. As well, higher construction costs should be tolerated where they will lead to cost savings through lower operating costs.

SUMMARY STATEMENT

Operating cost escalations potentially can have the greatest impact on the financial viability of non-profit housing projects. Continued effort must be made to monitor and assess changes in operating costs.

5. PROGRAM COMPARISONS

2.5 Program Comparisons

Any measure of the financial effectiveness of non-profit housing must weight opportunity costs of alternative delivery mechanisms. Over time, many approaches to the provision of accommodation for low and moderate income households have been attempted, including such programs as public housing and assisted rentals (ARP). This section examines the performance of each in relation to the cost of units delivered and, where possible, the client target groups served to facilitate a comparison with the performance of non-profit housing programs. This analysis would provide a strong basis for policy decisions on program support.

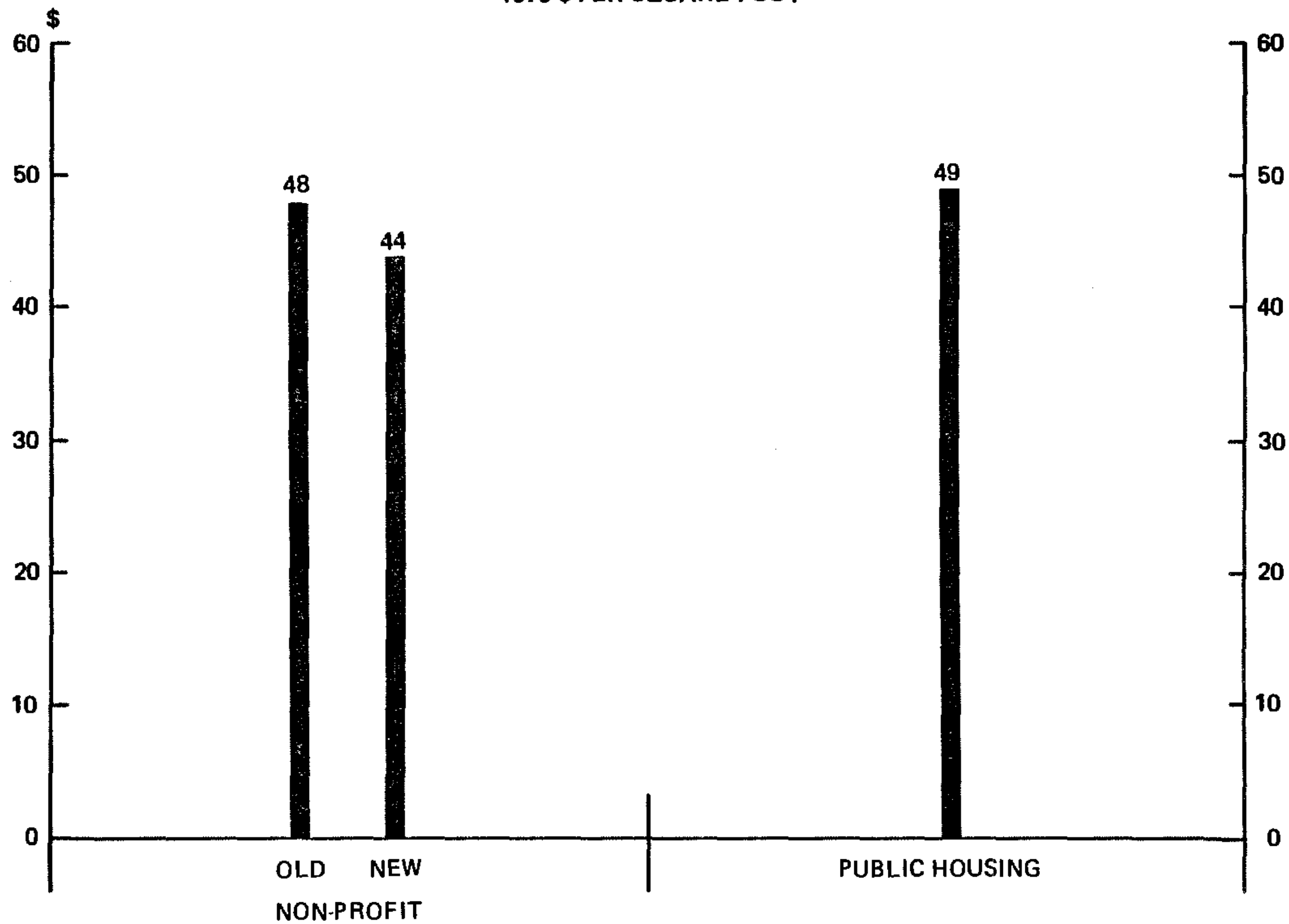
2.5.1 Public Housing

Nearly all Public Housing in Ontario built since 1964 has been new construction rather than the purchase and rehabilitation of existing buildings. For this reason we compared (in Chart 10) the square foot costs of new construction of Public Housing with new construction Old and New Non-Profit Programs projects. In all cases the original construction costs were inflated to 1979 dollars using the Residential Construction Price Index for Ontario. The construction costs are comparable for the Old Non-Profits and Public Housing; the New Program costs are approximately 11% less.

The following chart shows the mix of family and senior citizen units in the populations being compared as to constuction costs.

Chart 10

PROGRAM COMPARISONS
PROJECT COSTS
NEW CONSTRUCTION
1979 $ PER SQUARE FOOT



Percentage of Family vs. Senior Citizen Units

Program	Percentage of Family Units	Percentage of Senior Citizen Units
Public Housing*	32%	68%
Old Non-Profit Program**	61	39
New Non-Profit Program**	79	21

* approximation provided by M.O.H. based on units built in Ontario 1970-1979

** based on unit distribution in Non-Profit buildings analyzed in study

This mix would imply that Public Housing could be expected to have a higher cost per square foot because of the predominance of smaller seniors units. However, the average size of the public housing units was 935 sq. ft. compared to 950 sq. ft. for the New Program units and approximately 850 sq. ft. for the Old Program units.

Chart 11 shows the income profile of Public Housing tenants based on data provided in aggregate form by the Ministry of Housing for over 58,000 households in Ontario. Senior Citizens represented 45.6% of the households, families occupied 54.4% of the units. (This includes all public housing, not just those units built since 1970). When compared to Chart 4, the income profile for the total Non-Profit population who returned questionnaires, it is clear that Public Housing is geared to a much lower income range. The income range $0-15,000 takes up 97.2% of the Public Housing population compared to 73.0% of the Non-Profit population. Over half of the Public Housing households have incomes from $0-5,000; this category applies to about one-quarter of the Non-Profit households.

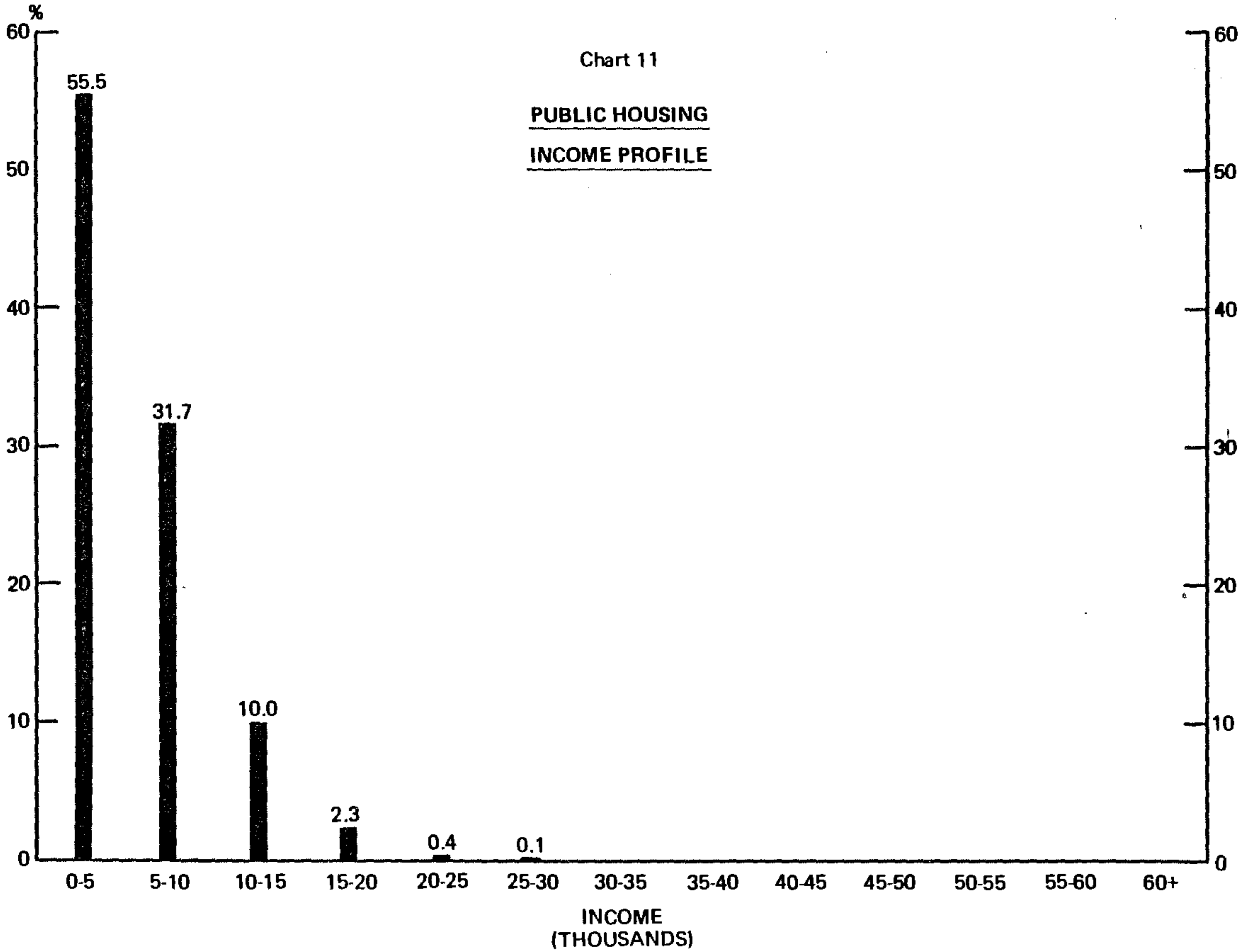


Chart 11
PUBLIC HOUSING
INCOME PROFILE
%
60
50
40
30
20
10
0
55.5
31.7
10.0
2.3
0.4
0.1
0-5
5-10
10-15
15-20
20-25
25-30
30-35
35-40
40-45
45-50
50-55
55-60
60+
INCOME
(THOUSANDS)

As a result of lower income tenants, subsidies must be higher in Public Housing. Table 2.5.1 shows the average rent per unit, average operating cost and average subsidy per unit from 1976 to 1979. The subsidy is now split 50:50 between the Federal and Provincial Governments. Originally the split was Federal:Provincial:Municipality 50:42½:7½.

TABLE 2.5.1

AVERAGE PUBLIC HOUSING UNIT

1979 OPERATIONS

	$/unit/year
Revenue	1,273.01
Operating Expense*	3,808.81
Operating Deficit (subsidy)	$2,535.79

* Includes Administrative Overhead and Amortization

2.5.2 Assisted Rental Program

The goal of the Assisted Rental Program (A.R.P.) was to:

- "encourage the immediate production of new modest rental housing that would otherwise be deferred because of the gap between cost to build and operate and market rents
- encourage approved lenders to provide mortgage funds for reasonably priced rental housing" *

Although there were no explicit income goals, the production of reasonably priced housing implies that it is designed for moderate income tenants. No data was available on tenant incomes in A.R.P. buildings.

* Source: C.M.H.C.

As described in Appendix C data on A.R.P. projects which received O.R.C.G. grants from the Province was used to construct a "representative project". This project was then analyzed for development without assistance. The assumptions used are shown in the following table.

TABLE 2.5.2

ASSUMPTIONS FOR ANALYSIS OF ARP
AND UNASSISTED PROJECTS (1979 data)

	ARP	Unassisted
Cost Per Unit*	$ 38,039	$ 38,039
Number of Units	180	180
Total Project Cost	$6,847,000	$6,847,000
Mortgage Amount (90%)	$6,162,000	$6,162,000
Interest Rate	11.0%	11.0%
Amortization Period	35 Years	35 Years
Rents (average per month, first year actual rent collected)	$335/unit	$335/unit
Annual Rent Increase (assumed)	6%	6%
Operating Cost (per unit per month, first year)	$ 159	$ 159
Annual Operating Cost Increase	9%	9%
ARP Loan Per Unit, Year 1 (declining over 10 years)	$ 1,200	0
ORC Grant Per Unit, Year 1 (declining over 10 years)	$ 450	0
Annual Increase in Building and Land Value	6%	6%
Tax Rate of Investor	50%	50%

* Square foot costs were not calculated for these buildings since square footages were not available; per unit costs are similar to those for Non-Profits. However, based on average bedroom count of 2 bedrooms in the ARP buildings and CMHC maximum floor areas in effect at the time, it is estimated that the average size of the ARP units is 820 sq. ft. This is slightly smaller than the Old Program units and approximately 130 sq. ft. smaller than New Program Units.

The cash flow from the project after tax was calculated for each year and the project was assumed to be sold in the twenty-fifth year. Without the ARP assistance, the project has a negative cash flow after year 3 even assuming the tax savings can be used against other income. The overall return (without sale) for the unassisted project is negative; the addition of the ARP and ORCG raise the rate of return to 5%* over 25 years including the tax benefits (assuming the cash flow produced can be reinvested at 8%).

This rate of return refers only to the cash flow over twenty-five years; additional returns are available from the sale of the building (or refinancing). Because the land and buildings were assumed to appreciate at 6.0% annually in both cases and because the Federal ARP assistance must be repaid when the building is sold, the rates of return with sale in year 25 are only slightly higher for the ARP building (15.8%) relative to the unassisted building (15.7%).

These projects were assumed to have mortgages for 90% of the original costs. If fact, it is likely that many of the ARP projects came close to "mortgaging out"; i.e. the mortgage amount covered close to 100% of the cost of the building and land. This means that the equity that the developer provides is less than 10% of the cost so that his returns are actually higher than what is shown here. Conversely, unassisted projects may not be able to obtain 90% financing so that their returns would be overstated.

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* In fact this is an understatement to a slight extent since the ARP assistance is nontaxable (because it is a loan) yet is assumed here to be taxable for simplicity sake.

We also ran a scenario where we assumed that 12.5% of the costs of land and construction were soft costs. ($762,000). The total cost of the project ($6,847.000) remained the same. The rate of return (without sale) increased from 5% in the initial case to 7% with soft costs included.

It should be pointed out that this is only an example of a sample project. Returns can vary sharply depending on the amount of equity invested, the tax rate of the developer and the amount of other income he has. (It is assumed in this example that all losses and capital cost allowance can be used to reduce other taxable income the developer has.)

The following table (2.5.3) shows a calculation of breakeven rent for the initial year of an "average" A.R.P. building from the available data incorporating explicit subsidies.

TABLE 2.5.3

CALCULATION OF INITIAL YEAR BREAKEVEN RENT FOR ARP UNIT

Mortgage payment (38,039 X .9 amortized over 35 years at 11%)	$322.17
Operating cost	159.00
	481.17
Federal ARP Assistance	100.00
Average ORCG	37.50
Breakeven rent	$343.67

The following table (2.5.4) demonstrates the present value (at 10%) of the cash flow and subsidies in the ARP program, on a per unit basis. These are for the scenario with soft costs included.

TABLE 2.5.5

COMPARISON OF FIRST YEAR RENTS AND SUBSIDIES
PER UNIT ARP, OLD NON PROFIT, NEW NON PROFIT

	ARP*	OLD PROGRAM** (CO-OP)	NEW PROGRAM** (CO-OP)
Mortgage Payment	$ 322.17	$ 263.13	$ 399.09
Operating Cost	159.00	175.00	175.00
Economic Rent	481.17	438.13	574.09
Federal ARP Assistance	100.00		
Average ORCG	37.50		
CMHC Capital Grant		23.89	
RRAP		6.66	14.99
Interest Reduction Grant (Provincial)		42.42	
Provincial Rent Reduction Grant		34.92	
Federal Rent Reduction Grant	____	____	275.57
Breakeven Rent (Rent after Provincial Grant)	$ 343.67	$ 330.24	$ 283.35

* From Table 2.5.3. The developer gets additional cash flow from write-off of soft costs ($1924./unit in year 1).

** From Table 2.2.11 and 2.2.12. Note: more of these buildings provide fully serviced rent than ARP buildings so operating costs are higher. Actual Rent charged under New Program is low end of market and may be higher than shown here.

TABLE 2.5.4

Present Value of Components of ARP Return
(per unit @ 10% discount rate)

Component	NPV Per Unit
Cash flow from project	$ (5,348)
CMHC loan (assuming repayment in years 11-25)	$ 2,390
ORCG	$ 1,698
Soft Cost Write-Off	$ 1,924
Tax Savings against other income (assuming all losses can be written off at 50% tax rate)	$ 6,626

Table 2.5.5 compares first year rents in ARP buildings (from Table 2.5.3), New Program Co-ops (Table 2.2.12) and Old Program Co-Op (Table 2.2.11). These are not strictly comparable. The New Program column shows the minimum rent that could be charged; actual rent charged is low end of market. The A.R.P. owner gets additional funds from write-off of soft costs in the first year which are substantial ($1,924/unit).

SUMMARY STATEMENT

From the analysis it is clear that two distinct roles are being fulfilled by public housing and non-profit housing; public housing is providing low income assisted housing, non-profit housing is providing low and moderate income asssisted housing. Subsidies vary consistently with these roles.

A.R.P. subsidies (even with tax impacts included) are lower than Non-Profit subsidies. The incomes of households occupying these ARP buildings were not available to compare with household incomes in Non-Profits.

6. PROBLEMS AND CONSTRAINTS — MANAGEMENT PERSPECTIVE

2.6 Problems and Constraints

A final and key concern of the Province and CMHC is the response of non-profit organizations to the programs. Given that these organizations operate on a daily basis within the scope and structure of the programs, they are in a strong position to identify problems and constraints and to suggest potential improvements.

Non-profit organizations have always played a strong participatory role in bringing about program improvements. It is essential, therefore, that the experience and advice of non-profit organizations be brought to bear on the evaluation of the programs through an analysis of problems and constraints they identify. This Study documents the concerns and suggestions of non-profit organizations and includes their concerns in this report.

2.6.1 Introduction

A number of views emerged from the discussions carried out with municipal, private and Co-op managers, written briefs submitted, materials provided and reviewed and project manager questionnaires returned. These are identified below. A full discussion of the concerns expressed is included in the Appendix to this Report. As well as problems and constraints, our work in this area also revealed a variety of approaches in dealing with key aspects of non-profit housing. The more important differences and most innovative practices are identified.

The information provided below is from a "management perspective;" that is, it is from the viewpoint of organizations and individuals developing and operating non-profit housing. Comments have been organized into:

- o Municipal Non-Profit Housing Corporations
    - o Private Non-Profits and Co-ops.

2.6.2 Municipal Non-Profit Housing Corporations

(i) Overall Comments

Municipal Non-Profits, as a whole, are highly enthusiastic about the potential for non-profit housing to effectively meet the needs of low and moderate income households in Ontario. Without exception, they applauded the delegation to the Ministry of Housing of responsibility for the administration of the program. They are, however, anxious that municipalities be given greater autonomy over time and a greater voice in any future program changes. They were concerned about the frequency of change in the structure and regulation of the program in recent years, as this has made forward planning most difficult and caused many instances of delay and confusion. They believed, however, that a situation of stability was being reached and expressed confidence in the future of the program.

Generally, the New Program was found to be a clear improvement over the Old, for the following reasons:

o less expensive to municipalities

- the override assistance and elimination of the 7½% municipal contribution on RGI units cuts municipal financial requirements significantly.

o improved reserves

- the New Program offers greater flexibility for the establishment of adequate reserves to cover major repairs, fire, minor capital expenditures and replacement.

o easier to administer

- the New Program enables greater autonomy by the corporation in day-to-day operations.

o more control over tenant mix

- because the RGI tenants are the responsibility of the corporation, rather than Housing Authorities or O.H.C., there is more autonomy in selection of tenants for R.G.I. units. This permits better targetting of projects for specific segments of the population.

o less inflationary

- because of declining Rent Reduction Grants, the Old Program had a built-in inflationary structure. The New Program eliminates this problem.

o lower end of market rents

- the establishment of a "lower end of market" rent generally was found to be an advantage in both budgeting and, more importantly, marketing (especially of market units competing with other landlords).

o Ministry of Housing

- despite some existing administrative difficulties (attributed by municipal non-profits to temporary start-up problems within the Ministry), the corporations believed that the Provincial takeover will enable greater flexibility in project development, closer contact, more expeditious approval of projects, and greater opportunity for a voice in program development than that encountered under CMHC.

Aspects of the New Program which were seen to be a drawback in comparison with the Old were linked primarily to the process for determining MUP's and "lower end of market" rents and to the levels at which these have been set in many cases to date. Their existence is felt to be desirable; their rigidity and the limited opportunity for municipal impact on their determination, however, has raised

considerable concern. At the same time, while the removal of the 7½% municipal obligation has reduced municipal financial requirements, it has reduced municipal clout with respect to RGI units in projects developed under the Old Program. Despite these concerns, it was widely felt that the new program was a sizable step in the right direction.

(ii) Specific Problems and Constraints

The New Program has improved the situation for municipal non-profit housing corporations. Nevertheless, several problems and constraints were identified. These are noted below. A fuller discussion of each is presented in Appendix D of this Report.

- Resident Mix

  There is wide criticism of the 25% limit on family R.G.I. residents. Corporations are concerned that, because they have to provide three market units in order to yield one R.G.I. unit, they are constrained severely from meeting the needs of the community. Chart 22 indicates that some of these concerns are showing up in the data on resident profiles.

- M.U.P.'s

  Most municipalities felt MUP's presented several problems in terms of the manner in which they are determined and the levels at which they are set.

- Lower End of Market

  Ideally, rents set at the lower end of market assist municipalities in filling market rental units. There has been widespread dissatisfaction, however, with the levels set by the Province (seen to be high) and the process.

- Best-Buy Analysis

  Municipalities view this as an unnecessary costly administrative procedure which shows Provincial mistrust for municipal judgement and capabilities.

o Fees for Administration

There was considerable comment that the permitted administrative fee was too low to enable adequate recovery of funds and does not relate to actual costs.

o Organization of Municipal Non-Profit Housing Corporations

This is a subject of concern, evidenced both by the comments of municipal corporations themselves, and our own observations. There are no clear organizational models for these corporations.

Given the range of organizational structures established and approaches pursued and the varying degrees of success encountered, it is clear that there may be some models of organization more conducive to cost and delivery efficiencies than others. It was widely suggested that the Ministry work towards the development of detailed advice to municipalities on organizational structure.

o Marketing

With rents of 75% of units set at or near market, municipalities are finding increasing need to carry out extensive marketing programs. It was suggested that the Province provide advisory assistance on marketing to municipal non-profits.

o Public Perceptions

A similar concern relates to public perception of non-profit housing. Municipal corporations find the public and many members of local councils unable to distinguish between non-profit housing and OHC public housing. As a consequence, difficulties are experienced in overcoming council objections and winning support of local communities. Greater Provincial assistance in public education was suggested in many cases.

o Acquisitions

Provincial policy favours revitalization of the inner city and rehabilitation of the existing housing stock. Yet, municipal corporations are finding that Provincial regulations effectively act as roadblocks to acquisition.

o <u>Provincial Approval and Administrative Process</u>

This aspect received perhaps the widest criticism. Municipalities demonstrated awareness that the Province was still in the early stages of development of its administrative practices; yet they were highly critical of the approaches adopted to date.

o <u>Site Planning Standards</u>

A number of concerns were expressed, often depending on the particular characteristics of the municipality. The most common problem has been CMHC's tendency to set planning standards more applicable to suburban situations than to inner city housing.

o <u>Working Capital and Interim Financing</u>

Some municipal corporations noted that in many developments, interim financing is required for several costs (e.g. advancing funds to contractors) before mortgage monies are advanced. Likewise, operating losses can arise for any number of reasons. Similarly, the time required to prepare a site for construction may necessitate advances well before current regulations would permit. It has been found, therefore, that working capital and interim financing are required in order to successfully operate. The newly-announced ILAG (Interest Free Loans and Grants) Program which provides start-up assistance to municipal non-profits, should help overcome this problem.

o <u>Reserve Funds</u>

As noted earlier, the New Program is seen as beneficial in that it allows greater opportunity to establish reserve funds.

o <u>Community Services Contribution Program</u>

The Community Services Contribution Program funding has been terminated. When the funds were provided, several municipal corporations believed they should have been allowed to apply them to neighbourhood improvement rather than strictly to rent reduction.

o <u>Environmental Assessment Act</u>

The municipal non-profits are finding that regulations in this regard can delay approvals six months or more and raise development costs. They feel that, given the extensive review

procedure on all applications, Environmental Assessment is unnecessary and would like to have the Province consider exemption for non-profit projects.

o Change in Income Status

It was pointed out that if existing market residents suffer a reduction in income such that they can no longer afford a market unit, they may be prevented from R.G.I. status by the 25% limit. This can create individual hardship which could be avoided with a more flexible approach by the Ministry. The municipalities believe these situations should be taken into account and a more flexible approach adopted.

(iii) Approaches

There have been interesting approaches adopted by several municipal non-profits to various aspects of the program. These are noted briefly as concepts which might be considered in reviewing the operation of the program in Ontario.

o Income Ceilings

The Region of Peel has placed income ceilings on market units to ensure they are allocated to moderate and medium income residents. In addition, where a surplus of applications is received, preference generally is given in reverse order of income.

o Waiting Lists

Metro does not keep waiting lists for market rentals. They believe these fall out of date or individuals very often change location before units come due. They suggest, therefore, that no waiting lists need be established for market units.

o Turn-key Development

In the Region of Peel, developers have many sites which they are unable to develop and market due to slow market conditions, but which are suitable sites for non-profits. Peel has been able to invite proposals from such developers, who then take on all responsibilities for project development and turn over

the finished product to the municipality. Design and price aspects are guaranteed in conformity to program regulations. This approach has enabled development to proceed rapidly and on a cost-effective basis.

- Resident Maintenance

The City of Ottawa requires residents to carry out many day-to-day maintenance functions, thereby reducing operating costs. The City provides equipment on loan (e.g. lawn mowers) and materials such as sod and flowers for planting. Through this co-operation, operating costs are kept at a minimum.

- Board of Directors

Some municipalities (e.g Peel, City of Toronto) have a board comprised solely of politicians while others (e.g. Metro) have a mixture of political and community representatives. There has been much discussion about the advantages of each. Metro feels strongly that the mixed board removes "political decision-making" and is more satisfactory. The City of Toronto recently announced its intention to restructure its Board in this manner.

- Portfolio Blending

Non-profit guidelines specify that each project should be self-supporting and a surplus in a project should be utilized to reduce rents within that project. City of Ottawa contends, however, that rents should not actually decrease and that projects of similar age, unit value, etc. should be blended so that surpluses in one project would be utilized to offset deficits in another and rent increases can be more evenly distributed over the portfolio.

- R.G.I. Waiting List

Most municipalities co-ordinate the R.G.I. waiting list with O.H.C. to avoid duplication and serve the most urgent need. In Peel, an agreement has been reached such that 50% of all R.G.I. residents in any project are from the O.H.C. waiting list and 50% are selected from the Region's waiting list.

- Resident Selection Criteria

Almost every municipality has a different set of criteria. Thunder Bay uses the O.H.C. point-rating criteria, while other

municipalities have developed some very different variations which have been accepted by the Province. Many of those emphasize income much more than does O.H.C.

o R.G.I. Resident Moves

Metro allows R.G.I. residents one move anywhere in the system without having to go on a waiting list.

o Rent Payment and Arrears

Peel and Metro have rents paid through pre-authorized direct withdrawals from bank accounts. The bank, therefore, is responsible for following up on arrears. It provides a monthly status report on all accounts.

o Computer Financial Model

Metro utilizes a computer financial model to project operating expenditures in various time frames to assist management with long term financial planning.

o Recreational Facilities

The Knightsbridge seniors project in Peel was developed on land already owned by the Region. The Region sold the lands to the Peel Non-Profit Housing Corporation and used the proceeds to construct a senior citizen community centre. This centre is now used by both residents of the Knightsbridge project and the wider community.

o Parking Authority Lands

City of Toronto has worked with the Parking Authority on joint developments with access to Parking Authority spaces adequate to serve the residential component.

o Air Rights

City of Toronto is examining purchase or lease of air rights over private commercial space.

o Captialized Leases

City of Toronto is examining capitalized leases of all or part of a private development.

These are some of the different and interesting procedures and practices emerging in municipal non-profit housing corporations. As noted earlier, it appears to be of extreme importance that the Province work with municipalities on developing improved administrative practices in order to support the growing participation in the program.

2.6.3 Private Non-Profits and Co-ops

A set of project manager questionnaires was distributed to projects across the Province and discussions held with several non-profit groups. Project manager questionnaire responses were received from groups all across Ontario from communities such as Ottawa, Kingston and Peterborough in the east to Timmins in the north, St. Catharines and Cambridge in central Ontario and Windsor and Waterloo in the west. In addition, the Co-operative Housing Working Group submitted a brief outlining their thoughts and concerns regarding the program. Generally, there were fewer problems related to us by these groups than by the Municipals. In virtually every case they found subsidies to be adequate and foresaw no future financial difficulties. Few maintenance problems were being encountered, and arrears and vacancies were virtually non-existent. In many cases, sizeable waiting lists for senior citizen and family accommodation were noted.

Nonetheless, some problems and constraints have been observed. These are identified below.

o Program Objectives

The brief received from the Co-operative Housing Working Group stated that the goal of non-profit housing programmes should be defined as follows:

"the creation and expansion of a stock of not-for-profit housing that will be affordable on a continuing basis to low and moderate income households."

o Start-up Funds

There were some complaints about the inadequacy of start-up funds under the Old Program. Many groups have had to rely on donations or interim financing.

o Approvals

Many groups complained about problems encountered with CMHC in seeking project approvals. They feel that CMHC site planning guidelines do not adequately recognize inner city development conditions.

o Appraisals

It was noted that insured lending principles applicable to market housing are often used in inappropriate situations with respect to co-op housing projects.

o Municipal Taxes

Many groups find these to be the most rapidly-inflating aspect of operating costs. There were few cases of subsidy or exemption.

o MUP's

The co-op groups agree with the concept of MUP's. They believe, however that the process for determining MUP's and the levels being set are inadequate.

o Energy

Energy costs are escalating very quickly in many projects. Several groups commented that CMHC is not sensitive enough to energy conservation measures in both project design and budgeting.

o Site Inspection

In some cases, groups felt there was inadequate performance by CMHC in inspecting properties being considered for acquisition.

o Land Assembly/Property Acquisition

Co-ops noted that they were unable to purchase long-term options on land as they do not have large sums of capital. This restricts the number of sites that can be considered for feasibility studies. They urged that Federal programs be established to allow municipalities to assemble public land banks for non-profit and co-op projects.

o Unit Design

There was little feedback on unit design. Some co-ops have found that recommended maximum unit sizes result in the lack of suitable dining and kitchen facilities and rather small bedrooms aside from the master bedroom.

o Market Financing (New Program)

Concern was expressed that market financing has increased the cost of interim capital financing and thus lowered building quality or put pressure on MUP's.

o Rent Structure (New Program)

A key comment was made about the rent structure in private non-profits. Because of the structure of the subsidy, there is no incentive for higher income tenants to behave responsibly, as increased operating costs do not affect rents but merely reduce the amount of subsidy available to house R.G.I. tenants.

o Total Subsidies

It was noted that housing charges can be extremely high in areas of Ontario with high market rents. Co-op groups in these areas are finding difficulty housing as many low and moderate income residents as they would like to accommodate, given the available subsidies. They note that deeper subsidies may be required, particularly if the current economic uncertainty continues.

o Subsidy Structure (Old Program)

As in the municipal comments, concern was expressed about the declining Rent Reduction Grants of the Old Program being inflationary. The New Program was found to allow more freedom to respond to local needs and demands.

o Project Administration

There was the suggestion that CMHC should provide operating manuals re: management strategies.

o Replacement Reserves

It was noted that insufficient replacement reserve funds are posing a problem in some non-profits.

o Local Development Standards

These were found to vary widely among municipalities, but generally were acceptable. In terms of zoning, greater flexibility in engineering and servicing standards, such as narrower road allowances and reduced setbacks, would be appreciated.

o R.R.A.P.

Co-ops find R.R.A.P. to be a useful and important program, particularly with the growing importance of inner city rehabilitation.

A few points of interest can also be mentioned. It was found that, charitable non-profits often receive heavy subsidy in the form of land and tax exemptions. Also of interest, some co-ops and private non-profits have established income ceilings. Most undertake limited marketing activities. Most use resident labour for minor repairs. In all, the program appears to be functioning fairly well from a management perspective, although there is considerable room for improvement as noted in the problems and constraints outlined above and discussed more fully in Appendix D.

SUMMARY STATEMENT

Generally, all types of non-profit organizations find the New Program to be an improvement over the Old Program. Non-Profit organizations, however, believe a number of changes should be made to improve the ability of the programs to meet their objectives more effectively.

APPENDICES

APPENDIX A
PURPOSE OF STUDY

A.1 Study Rationale

The Non-profit and Co-operative housing programs within the Province of Ontario have been operational since 1973. The original programs (Old Non-profit Program) operated under Sections 15.1 and 34.18 of the NHA (with rent supplement provisions under Section 44.1(b)) and led to the development of some 12,300 units in Ontario. The data provided by CMHC and the Ministry of Housing enabled us to cover 11,400 of these units in the analysis. In 1978-79, a restructured non-profit program (New Non-profit Program) was introduced under Section 56.1, replacing the Old Program. As of December, 1980, approximately 3,700 units had been approved under 56.1.

While these programs were developed to meet a number of objectives, the major goals were to provide modest housing to low-and-moderate income [1)] households and to encourage the integration of families and individuals of varying incomes in non-profit projects. This study has been undertaken to determine the extent to which these goals are being met.

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1) The National Housing Act defines "low income" as total family income that is insufficient to pay for adequate housing accommodation at current market rent in the area where person/ family resides. Moderate households are defined by the Steering Committee as those able to afford only moderate housing in the marketplace.

A.2 Woods Gordon's Mandate

Our mandate in this study has been to undertake a factual and analytical examination of non-profit housing in Ontario. The study does not deal with policy questions or make value judgements. It is designed to focus on facts and on identification of possible reasons why the goals and objectives of the program have or have not been met. This information will then form an important input to subsequent policy development by the various levels of government involved in the study.

A.3 Steering Committee

Our work in this study was carried out under the direction of a Federal/Provincial Steering Committee comprised of equal representation from Canada Mortgage and Housing Corporation (C.M.H.C.) and the Ontario Ministry of Housing (MOH). The Steering Committee co-ordinated the flow of information among the participants in the study and assisted in planning and organizing the various elements of the work. They were instrumental in obtaining and providing the key data to be assessed in the study.

A.4 Working Group Participation

Non-profit housing programs are organized into three groups - municipal non-profit (MNP), private non-profit (PNP) and co-operative (Co-op). The first is the responsibility of the Ontario Ministry of Housing, while the latter two are the responsibility of C.M.H.C. In order to ensure that the study incorporated the insight and experience of these groups, two working groups were established at the outset of the study - the Municipal Working Group and Private Non-Profit/Co-op Working Group.

The Municipal Working Group was comprised of representatives of the six operating municipal non-profit housing corporations in Ontario (City of Ottawa, City of Thunder Bay, City of Toronto, Metro Toronto, Region of Peel and City of Windsor). The Private Non-Profit/Co-op Working Group was comprised of representatives of various PNP and Co-op organizations in Ontario. The input of each group was sought during the course of the Study and written briefs invited regarding the issues being examined. Copies of the briefs received are included in Appendix D. Both groups received all major documents developed in the Study and each reviewed this Report in its draft stage. We are most appreciative of their efforts and contribution to this Study.

A.5 Private Sector Participation

In the initial stages of the Study, it was decided that much could be gained from comparisons of the effectiveness of non-profit programs vis-a-vis direct assistance to the private sector in the provision of low and moderate income housing. For this reason, the private sector was invited to participate in the study, and a Private Sector Working Group comprised primarily of representatives from H.U.D.A.C. and U.D.I. was established. Section 2.5 of our Methodology describes the input of this Working Group.

APPENDIX B

B. DESCRIPTION OF NON-PROFIT HOUSING PROGRAMS

B.1 Objectives

As stated earlier, the major goals of non-profit programs in Ontario are to provide modest housing to low and moderate income households and to encourage the integration of families and individuals of varying incomes in non-profit projects.

B.2 Program Structure

A brief outline of the programs being evaluated is presented below.

B.2.1 Old Non-Profit Programs (15.1 and 34.18)

Under the old (1973) program (Section 15.1 and 34.18 of the NHA), CMHC made loans of up to 100% of the lending value (acceptable capital cost) of a project at 8% interest amortized over a 50-year period, as well as providing a direct capital grant which could not exceed 10% of the lending value of the project. These loans and grants were made to eligible non-profit organizations (i.e., corporations and co-operatives) which were providing rental accommodation for families and individuals of low and moderate income.

As well, the Province of Ontario provided a grant in some instances to further reduce the rents in modestly designed non-profit projects. The grant was paid over a 15-year period on a decreasing scale selected by the non-profit organization. The rent reduction per unit per month usually ranged from $20.00 to $35.00 depending on the payout rate selected. Residents living in these projects pay rent to

cover the unsubsidized portion of capital costs, amortization costs and operating costs. Rents are struck on a break-even basis as low as possible and the projects must be rented to low and moderate income people.

In addition to the capital and interest reduction subsidies, Section 44.(1) (b) of the NHA was introduced to permit rent supplements for some units in non-profit and co-operative housing projects. For rent supplement units, resident payments were based on a rent-geared-to-income scale rather than on break-even rent. The difference is provided to the non-profit corporation with the costs of this shared equally by the Province of Ontario and CMHC. The administration of the 44.1 (b) component is carried out by the Province of Ontario. Generally, a maximum of 25% of residents in family housing projects and 50% in senior citizen projects are permitted to be housed on a rent-geared-to-income basis.

B.2.2 New Non-Profit Program (56.1)

The New Non-profit Program (Section 56.1) replaced the Old Program in 1978. In the New Program, funds are largely provided by private lenders. CMHC provides an explicit subsidy toward project operating costs equivalent to the difference between monthly mortgage payments at the market rate of interest, and the payment that would have been required had the mortgage rate of interest been set at 2%. The maximum subsidy calculation is based on 100% of project capital costs, amortized over 35 years. Any additional operating losses incurred by Municipal Non-profits may be funded by the Province of Ontario. In cases where the Ontario contribution is equal to that provided by CMHC, the Corporation has agreed to share any further losses on a 50/50 basis

under Section 44 of the National Housing Act. Municipal Non-Profits now also can receive start-up funding under the recently announced Provincial ILAG (Interest-Free Loans and Grants) Program.

The Co-operative Housing Assistance Program introduced by CMHC in 1979 is similar to its non-profit counterpart in that the annual assistance is based on the difference between monthly mortgage payments at the market rate of interest and the payments that would have been required had the market rate of interest been set at 2%. Some Provincial assistance is now available under the recently - announced Provincial OCHAP (Ontario Community Housing Assistance) Program.

Under Section 56.1 project rents are set at the low end of market with no income testing on the majority of residents. Part of the 56.1 assistance is used to bring the economic rents down to the level of market rents. The unused portion is used to assist low and moderate income-tested residents unable to afford to pay market rents.

Under the Private Non-Profit Program, rents are adjusted annually to reflect market rents. Under the Co-operative Program, rents in year one are struck at lower end of market rents. Through an agreed to formula, rents are increased for years two and three in line with increases in operating costs, plus a step-out of the 56.1 assistance, used to bring the rents down to market. This provides for more 56.1 available for income-tested residents.

APPENDIX C

METHODOLOGY/QUALITY OF DATA

DATA COLLECTION CHART

TYPE OF DATA

SOURCE	PROJECT COST, SUBSIDY	OPERATING COST	TENANT INCOME	TENANT CHARACTERISTICS
CMHC	PNP, COOP	PNP, COOP		
MOH	MNP	MNP	RGI TENANTS	
CITY OF TORONTO			TORONTO MNP	
WOODS GORDON			QUESTIONNAIRE TO PNP, COOP, MNP (Except TORONTO)	

APPENDIX C
METHODOLOGY/QUALITY OF DATA

The study approach was to be comprehensive, gathering as much data as possible to explore the issues identified in the study design as being relevant. The following tools were used for information gathering:

- CMHC/MOH data
- questionnaires
- workshops
- interviews

The data was aggregated and compared relative to the following categories:

- Old Program PNP, MNP, COOP*
- New Program PNP, MNP, COOP
- new construction vs. existing
- small vs large (less than or greater than 50 units)
- urban vs non-urban
- family vs senior citizen

recognizing concerns raised prior to the study and attempting to explain differences.

Data was collected from a number of sources in order to examine the issues identified in the previous section. The chart opposite shows the data collected and the source of data. Some was assembled by CMHC and M.O.H., some collected directly by Woods Gordon, and some collected by the Private Sector.

Data on Ottawa Limited Dividend projects was also provided by the City of Ottawa Non-Profit Housing Corporation. However, because these buildings were constructed over 30 years ago, construction cost data was not easily available and would have been difficult to relate to present day costs. For this reason, analysis has not been included.

* See Appendix G for definitions of these terms.

The data collection process was begun prior to the selection of the consultant so that Woods Gordon had limited input into the type of data collected. This meant that some of the analysis requested in the terms of reference for the study could not be performed because the necessary information had not been assembled during the data collection portion of the process.

A working group comprised of members of the private sector, including representatives of HUDAC and U.D.I., was established to provide input over the course of the Study. In order to facilitate a comparison of non-profit housing with private sector developments, members of this working group were asked to select a sample of buildings similar in size, location and amenities to the buildings comprising the sample of non-profit projects used in our questionnaire survey. Data on capital and operating costs of each were to be provided and a questionnaire survey comparable to that carried out for the non-profit sample was to have been conducted. Unfortunately, we received data for only 8 private sector buildings which we felt to be an insufficient number to allow for a meaningful comparison and therefore we could not include such analysis in our report. The Private Sector Brief (Appendix E) analyzes this data.

This section of the report describes, for each of the issues analysed, who collected the data, the quality of data obtained, effective date of data and the methodology used for the analysis.

C.1 Project Economics

The non-profit project construction cost and most subsidy data was collected by CMHC for the Private Non-profit and Coop projects and by M.O.H. for the municipal non-profit projects from final cost data they have on file. (For the New Program interim cost estimates were

used for projects not yet complete; this represented 97% of the New Program projects.)

This data was keypunched and validated by the parties responsible for collecting it. The scope of the study did not permit further cross-checking of data by the consultant except in cases where the figures were clearly inappropriate. For example, square foot costs for several new Non-Profit projects appeared to be under $10. Subsequent investigation revealed incomparability between the areas of the buildings (some in square metres, some in square feet) which we corrected prior to completing the analysis.

The project construction cost data was adjusted to 1979 dollars using the Ontario Residential Construction Price Index from Statistics Canada, shown in the following chart.

RESIDENTIAL CONSTRUCTION PRICE

INDEX - ONTARIO

Year	Index
1973	123.5
1974	134.5
1975	141.6
1976	156.4
1977	169.9
1978	185.1
1979	205.2

Source: Statistics Canada

This allowed us to more reasonably compare buildings constructed in different years. We attempted to separate building costs from land costs but for many purchases of existing buildings, land was not shown as a separate item so that this type of analysis was not possible. Instead, we compared total project costs (land and building) for the total population.

The following chart shows the land price index for buildings financed under the National Housing Act. Clearly the increase in land values has been extreme. We decided not to use this index, even where land was shown as a separate item, since the increase in land value is very site specific. Both land and construction costs were inflated to 1979 dollars using the Residential Construction Price Index.

LAND INDEX FOR BUILDINGS FINANCED UNDER

NHA IN CANADA 1971 = 100

1970	91.3
1971	100.0
1972	106.5
1973	101.9
1974	106.1
1975	157.9
1976	201.1
1977	223.9
1978	239.0
1979	295.7

Source: Canadian Housing Statistics 1979.

The Residential Construction Price Index relates to single detached new construction. The following index shows the increase in the basic rate (cost per square foot) used by CMHC appraisers to cost new construction.

INDEX OF BASIC RATES FOR CMHC BRANCH OFFICES

USED BY APPRAISERS TO COST BUILDING FOR NHA LOAN APPROVALS

	Elevatored High Rise average 800 sq. ft. unit			Townhouse 1,100 sq. ft. unit		
	Ottawa	Toronto	London	Ottawa	Toronto	London
1972	100	100	100	100	100	100
1973	108	112	105	111	122	108
1974	121	153	108	122	134	139
1975	146	158	141	142	140	160
1976	155	167	173	162	159	181
1977	167	170	168	174	162	170
1979	167	173	169	174	162	181
1979	167	181	180	174	174	197

These indices approximate the increase shown in the Residential Construction Price Index for single construction, so the use of the Index for all types of construction appears justified. It would seem also that high rise construction costs have accelerated at about the same rate as single detached construction so that the inflator used in the analysis was reasonable.

Once the basic analysis was done, we completed analysis of variance work to determine critical factors affecting the square foot costs of various types of buildings.

C.2 Subsidies

Information regarding the explicit subsidies was provided by CMHC for the private non-profits and coops and by the M.O.H. for municipal non-profits. This included federal capital grants (for the Old Program), start-up grants, RRAP, federal sales tax rebate (on building materials), provincial sales tax rebate (on building materials), provincial operating subsidy for the initial year of the project and federal operating subsidy (RRG for the new program).

Other subsidies were either calculated using available data or estimated.

Some projects are built on land either donated or obtained at less than market price. We attempted to make some estimate of the magnitude of this "potential subsidy" but the data provided did not include the market value of the land so it was not possible to develop hard estimates of this figure. The scope of the Study did not permit contacting each project individually although the project manager questionnaire investigated these issues. There was little indication of these types of subsidies in the questionnaires received.

The average per unit provincial operating rent supplement subsidies were provided by the M.O.H. from their current estimates. The quality of the operating cost data is described in section 2.4; if it had been more complete we would have been able to use it for 1979 operating subsidies.

In some cases, projects showed no estimate for property taxes. Since the operating cost data was not always complete and since these projects were in different municipalities, we could not assume that these projects were necessarily exempt from property tax. However, some non-profit projects do have either reduced taxes or are exempt; we could not quantify this amount but it seems to be a small proportion of the total number of projects.

There are additional overheads involved in Non-Profit housing related to the costs of part of the Community Housing Division of the Ministry of Housing and various C.M.H.C. personnel at national office and branch offices. The actual proportion of these costs actually attributable to Non-Profit housing is difficult to ascertain; however, we have made an approximation of this to determine the level of magnitude involved.

C.3 Resident Questionnaire Data

The Survey was designed to look at various characteristics and satisfaction levels of residents in non-profit housing and to examine the non-economic side of the program. The residents satisfaction level with:

- o building management and maintenance
- o facilities
- o quality of accommodation
- o location of building

were some of the matters of interest.

Characteristics of residents which were asked on the questionnaire included:

- o length of tenure
- o intentions with regard to moving
- o income
- o size of household
- o daycare needs.

Prior to the study a great deal of publicity arose regarding the level of incomes of residents in non-profit projects. Previous surveys had been undertaken* and had been criticized in terms of the accuracy of the responses received. Because of this, there was considerable discussion at the start of the project about how best to obtain accurate income data.

The steering committee and the consultant discussed several possible methods of collecting income data:

- o personal interviews
- o project application data inflated to 1979 dollars
- o income data for tenants who moved into buildings in 1979
- o mailed questionnaire
- o income tax data.

Using face-to-face interviews, besides being expensive, does not usually provide more reliable data for highly personal questions. People may refuse to answer a question about their income face-to-face where they will complete an anonymous form.

The resident application data on file at each project would also be expensive to gather and an appropriate inflator would be difficult to determine. It was originally thought that there were not enough people who moved into buildings in 1979 to provide a representative sample. It now appears in hindsight that this method might also have

* The Amborski Report; City of Toronto Survey.

been viable, although it is not clear how representative the sample would have been.

We investigated the possibility of obtaining data by postal code from Revenue Canada which would be disaggregated sufficiently to provide income for a particular building. For confidentiality and technical reasons (problems with subaggregation), this method was eliminated from further consideration.

The questionnaire process was decided on as the most likely to produce good data at a reasonable cost. A description of the questionnaire methodology begins on page 10 of this appendix.

There were two other sources of tenant income data which were used in the study. Landlords collect income verification forms for each R.G.I. tenant each year and provide this data to the Province. This second source of data was provided to us for most of the projects involved in the study (with the exception of the Ottawa municipal non-profits). This computer tape contained gross family income for each unit as well as the primary and secondary source of income. These are defined as the source from which the household gets most of its income and the source from which it gets the next largest portion of income.

The third source of income data was the City of Toronto. All tenants in their MNP buildings were asked to complete application forms in 1979 which included a question regarding household income. They were also asked for sources of income but this information was provided to us for only 142 units so it was not incorporated into the analysis. The City reported that their mail survey was checked in several ways. A new project for which current income data was available on file was included in the mail survey. The response rate was 33.3%

and the response data was not materially different from the file data. The City stated that they also checked the current file data for five projects (751 units) and found the income data for these was not materially different from the survey results. The third check was against past surveys which found that 10-15% of the tenants were above the city median income, again compatible with the recent survey results.

Because the City asked for exact income rather than income range and because the application form used was not the same as the Woods Gordon questionnaire, there may be minor differences in the data obtained. However, there was assumed to be enough similarity to incorporate the two streams of data into one anlaysis.

Woods Gordon administered the Housing Satisfaction Survey which asked a number of questions regarding satisfaction with accommodation, tenant income and source of income, questions about various aspects of building design and management; the analysis of response to these is summarized in Section 2.3 of the report. (Questionnaire reproduced in Appendix D)

The questionnaire was designed to obtain as accurate an analysis as possible. The income question itself requested an income range (in $5,000 increments) for the family rather than asking for the actual income. The occupations of the wage earners in the family were asked as a check against income level. Residents were also asked the number of parking spaces required as a gross indication of wealth. We also checked the data received in questionnaires from Metro Toronto MNP against their income data on computer file and found the data to be approximately equivalent. All of these checks and balances, plus the level of response (30% with income question completed), led us to believe we obtained reasonable quality data.

Table C.1 shows the number of units in each category of investigation, the number of units sampled (questionnaires sent out), the number of responses (returned questionnaires) and the response rate (column 4 divided by column 3).

For the Municipal Non-Profits both the City of Toronto and Peel had recently conducted surveys of MNP tenants. The City of Toronto asked for income data and we included this data in our analysis. Peel did not ask for income data so their tenants are not included in the analysis. Because they had only one Non-Profit building at the time of the study, this was not considered a problem. All other Old MNP buildings were surveyed.

For the Old Program PNP and Co-ops, we went through a list of projects arranged by city and chose every sixth building. Once this was done, we calculated the number of units in each subcategory (large, small, etc.), for this sample. We expected a 25% response rate and wanted 400 responses for each category so this meant we needed to distribute 1600 questionnaires for each category. This was more than the initial sample showed for the small building and existing construction categories. We then went back and included all small and existing buildings in the survey sample since both these categories had total units approximately equal to 1600.

Very few of the New Program buildings were occupied at the time of the survey. For this reason we chose only a few buildings and distributed questionnaires. The results have not been shown separately because of the small number of returns in each category but the total income range is very similar to that of the total population as Table C.1 illustrates.

The questionnaires were sent by the local CMHC office for PNP and Coops and by the local Municipal Non-Profit Housing Corporation for MNP (with the exception of the City of Toronto and the Region of Peel (who had recently completed their own satisfactory survey)) to the manager of each building for distribution to each unit.

Return of the questionnaire was encouraged through a follow up mailing of "reminder postcards" which were distributed by building managers to occupants. In total 6475 questionnaires were sent out; 2204 completed questionnaires were returned. This response rate (34.0%) was higher than our expectation and is very good for a mail survey of this type (30% of the questionnaires sent out were returned with the income question completed). There were 17 projects from which no questionnaires were returned. Most of these were Co-ops in the City of Ottawa. During the questionnaire distribution process, problems arose regarding participation in the Survey by cooperatives. These problems were satisfactorally addressed with complete questionnaires being received from all but the Ottawa Co-ops. This led to a response rate of 13% only for co-ops which may mean this data is less representative than other categories. All other response rates were over 25% (and many were over 30%) (see Table C.1).

C.4 Future Financial Implications

We initially intended to analyze operating cost data for non-profit projects to look at overall increases in costs and to identify areas where management has been able to control expenses to a greater or lesser degree than the private sector. However, three or more years full data was available for only 12 PNP and Co-ops and only three MNP. As a result no firm trends in actual operating costs could

TABLE C.1

RESIDENT SATISFACTION SURVEY

Category	Unity in Population	Units Sampled	Number of Responses	Response Rate (%)
Total	15,161	6,475	1,932	30%
Old PNP	4,538	2,408	784	33
Old MNP	3,775	1,232	557	45
Old Co-op	3,125	2,010	269	13**
New Program*	3,723	825	322	39
Small	2,679	1,388	461	33
Large	12,482	5,087	1,471	29
Urban	9,339	3,775	1,109	29
Non-Urban	5,822	2,700	823	30
New Construction	10,908	3,546	1,180	33
Existing	4,253	2,929	752	26
Senior Citizen	5,276	2,368	880	37
Family	4,885	4,107	1,052	26

* Survey was sent to a small number of New Program buildings that were occupied. If they are removed from the Total Population, the income distribution changes as in the following chart.

Income (000's)	0-5	5-10	10-15	15-20	20-25	25-30	30-35	Over 30
Total Survey (%)	25.4	28.3	19.7	12.6	6.7	3.8	1.8	1.8
Total without New Program (%)	26.0	28.7	19.9	11.8	6.1	3.8	1.9	0.0

** Ottawa Co-ops did not distribute questionnaires. See explanation in text.

be identified. However, we did analyze the operating cost data that was available; the results are in section 2.4. of the report.

Future financial projections were made, however, for possible scenarios using two financial forecasting models which have been developed by the M.O.H. Woods Gordon evaluated the appropriateness of these models prior to undertaking our analysis. Five base cases were developed (using results of project cost data analysis), old MNP, and Co-op, and new MNP, PNP and Co-op. Five scenarios were run for each base case changing assumptions about interest rates, rate of growth in operating costs and rate of growth in rents. These computer runs show the sensitivity of various types of projects to these factors and identify potential problem areas which could lead to increased subsidies or operating financial difficulties for projects. The amount of subsidy required to keep projects viable was also estimated.

C.5 Program Comparisons

The non-profit projects were compared with public housing projects to compare project costs, subsidies and the tenant groups served.

The public housing cost data for public housing built between 1970 and 1979 was provided by CMHC by year and inflated by Woods Gordon to 1979 dollars using the same inflator as for non-profits (see Section 2.1). The public housing subsidy data for the past 5 years and 1979 tenant data was provided by the M.O.H. from their annual OHC Budget Reports.

We used data provided by M.O.H. for 64 A.R.P. (Assisted Rental Program) buildings for which they had provided Ontario Rental Construction Grants. The A.R.P. program provides assistance to

developers who construct moderately priced rental accommodation. The developer obtains financing from a private lending institution. The federal portion of the program provides loans of up to $1,200 annually per unit (declining annually as rents increase) which are interest free for the period of disbursement and for at least ten (10) years. These loans are usually repayable in full if the project is sold or refinanced. Otherwise repayment begins one year after the disbursement period at the then current interest rate under Section 58 of the National Housing Act.

If, after the take-up of the maximum federal assistance loan, the project is still not able to produce economic rents, the builder is eligible for a provincial grant of up to $600 per unit in the first year. The grant is provided over the same disbursement period as the federal assistance loan and reduces in a manner similar to that obtained by the federal formula but is not repayable.

The data provided was used to derive average unit costs, rents, operating costs and mortgage payments as well as average Ontario Rental Construction Grant (ORCG) grants for the initial year of operation. This data was used to construct an "average" A.R.P. project which was then analyzed using the Woods Gordon Real Estate Model. The same project without A.R.P. assistance was also analyzed to show the impact the subsidies have on the rate of return to the developer.

C.6 Problems and Constraints

This section of the report deals with issues raised by the working groups involved in the study process. The MNP corporations were each interviewed and asked to submit a brief covering the issues raised in the interview guidelines (Appendix D). The PNP and Coop

working group members were also asked to submit briefs following the interview guidelines (plus discussing any other issues they wished). We also obtained data for this section from the project manager questionnaires (Appendix C) sent to each of the project managers of buildings in the tenant survey.

APPENDIX D

QUESTIONNAIRES

☐☐☐☐ (1 - 4)

HOUSING SATISFACTION SURVEY

Building Name &
Address: (5 - 12)

We appreciate your participation in this survey. Please remember to check only one box or circle only one number for each multiple-choice question.

Accommodation Information

1. When did you move into this building?
   (eg. 1978)

   19 ☐☐ (13 - 14)

2. How large is your housing unit?
   (Please check one only)

   1 ☐ Bachelor (15)
   2 ☐ 1 Bedroom
   3 ☐ 2 Bedroom
   4 ☐ 3 Bedroom
   5 ☐ 4 Bedroom

3. What is your monthly rent/housing charge?
   (eg. put 320 for $320.00 per month)

   $ ☐☐☐☐. (16 - 19)

4. Does your rent/housing charge include:

Yes	No		
1 ☐	2 ☐	Heat	(20)
1 ☐	2 ☐	Electricity	(21)
1 ☐	2 ☐	Water	(22)
1 ☐	2 ☐	Parking	(23)
1 ☐	2 ☐	TV Cable	(24)

5. Has you rent/housing charge been reduced because of your income?

   1 ☐ Yes (25)
   2 ☐ No

Housing Satisfaction

6. Please indicate the degree to which you are satisfied or dissatisfied with each of the following aspects of your housing. (Please circle one number only for each line)

	Very Dissatisfied			Satisfied			Very Satisfied			
a) Quality of accommodation	1	2	3	4	5	6	7	8	9	(26)
b) Location of building	1	2	3	4	5	6	7	8	9	(27)
c) Cost of accommodation	1	2	3	4	5	6	7	8	9	(28)
d) Building management	1	2	3	4	5	6	7	8	9	(29)
e) Building upkeep & maintenance	1	2	3	4	5	6	7	8	9	(30)
f) Control of noise levels	1	2	3	4	5	6	7	8	9	(31)
g) On-site community facilities	1	2	3	4	5	6	7	8	9	(32)
h) Off-site community facilities	1	2	3	4	5	6	7	8	9	(33)
i) Transportation facilities	1	2	3	4	5	6	7	8	9	(34)
j) Parking facilities	1	2	3	4	5	6	7	8	9	(35)

7. How many parking spaces do you require?

1 ☐ none (36)
2 ☐ one
3 ☐ two
4 ☐ more than two

8. What are your needs with respect to day-care for pre-school children?

1 ☐ Don't need it (37)
2 ☐ Need it - available in building
3 ☐ Need it - not available in building
4 ☐ Need it - have satisfactory day care nearby

9. All things considered do you expect to stay in your present accommodation for the foreseeable future? (2 to 5 years)

1 ☐ Yes (Please proceed to question II) (38)
2 ☐ No

10. If you answered NO to the preceding question what would be the primary reason for moving?

1 ☐ Buy a house (39)
2 ☐ Increase in Income
3 ☐ Change in job location
4 ☐ Rent too high
5 ☐ Unsatisfied with present housing
6 ☐ Move to another type of accommodation
7 ☐ Other (please specify)

____

11. Occupation(s) of adults in household

____

12. Total number of people occupying apartment

1	☐	1	(40)
2	☐	2	
3	☐	3	
4	☐	4	
5	☐	5	
6	☐	6 or more	

13. a) Number of dependent children. b) Number of other dependents

a)			b)			
1	☐	1	1	☐	1	(41 - 42)
2	☐	2	2	☐	2	
3	☐	3	3	☐	3	
4	☐	4 or more	4	☐	4 or more	

14. What was your total household income from all sources in 1979?

1	☐	\$0 - \$4,999	8	☐	\$35,000 - \$39,999	(43 - 44)
2	☐	\$5,000 - \$9,999	9	☐	\$40,000 - \$44,999	
3	☐	\$10,000 - \$14,999	10	☐	\$45,000 - \$49,999	
4	☐	\$15,000 - \$19,999	11	☐	\$50,000 - \$54,999	
5	☐	\$20,000 - \$24,999	12	☐	\$55,000 - \$59,999	
6	☐	\$25,000 - \$29,999	13	☐	\$60,000 and over	
7	☐	\$30,000 - \$34,999				

15. Please specify in order of size the two main sources of income for your household. (eg. salary of head of household, salary of spouse, old age pension, etc.)

1. ______________________________________ (45)
2. ______________________________________ (46)

THANK YOU FOR HELPING US WITH THIS HOUSING SATISFACTION SURVEY!

PLEASE RETURN THIS QUESTIONNAIRE TO US IN THE ENCLOSED RETURN ENVELOPE BEFORE NOV. 30, 1980.

P.S. We appreciate that a questionnaire such as this cannot fully cover all the issues of concern to you. Consequently we have provided additional space on the next page for you to write in your own comments or suggestions on this subject.

16. This page is provided for you to make any other comments regarding your housing accommodation that you would like to bring to our attention.

PROJECT MANAGER QUESTIONNAIRE

PROJECT NAME: ____________________________________

ADDRESS: ____________________________________

____

YEAR COMPLETED: ____________________________________

As part of the Ministry of Housing/C.M.H.C. Evaluation of Non-Profit Housing study your completion of this questionnaire would add valuable insights into the management of buildings funded under the non-profit program. Thank you for your cooperation.

1. BACKGROUND

1.1 Describe briefly how the cooperative or non-profit group was formed and its goals for types of units to be built and tenant group to be served.

1.2 Aside from the regular assistance available to non-profit groups under the government housing programs, what other assistance did you receive in building the project? e.g. free or less than market value land, property tax exemptions, etc.

2. OPERATING CONSTRAINTS AND PROBLEMS

2.1 Project Management

2.1.1 Unit Allocation

Describe how units are allocated in your project and how the process developed. How long a waiting list do you have? What type of advertising do you do? Do you have income ceilings for tenants coming in? Any problems with allocation?

2.1.2 Maintenance and Services

Describe how minor maintenance is done, e.g. cooperatively, hired tenants, outside agencies. Any recurring maintenance problems? Any major repairs necessary, e.g. re-roofing? What operating costs are rising most rapidly? What, if any, long term problems do you forsee?

2.3 Financial Aspects

Are the government subsidies you receive adequate to cover your operating deficits? How much do you increase rents each year? What percentage vacancy and arrears have you experienced? Do you foresee any future financial problems with the project?

3. DEVELOPMENT AND ACQUISITION

Briefly describe how the site was selected, the design agreed on and the project built. Were any problems encountered in dealing with architects, builders, etc.? Did the design of the government housing programs hinder this process in any way? If so, how? Were start up funds adequate?

4. OTHER PROBLEMS AND SUGGESTIONS

Feel free to make any comments you wish about the design and structure of the non-profit housing programs and their effect on the operation of your project. These will be passed along to CMHC/MOH on a no-name basis.

APPENDIX E

BRIEFS

SUMMARY COMMENTS AND FULL BRIEFS

BRIEFS - SUMMARY COMMENTS AND FULL BRIEFS

E.1 Introduction

Over the course of the Study, comments regarding problems and constraints being experienced with non-profit housing in Ontario and suggestions for improvement were sought from non-profit organizations in the Province. A number of concerns and suggestions were expressed through personal interviews, discussion groups, submission of written briefs, review of literature provided by various non-profit organizations and responses received to our project manager questionnaires.

A brief outline of this information is presented in Section 3.6 of the Report. In this Appendix, a fuller summary of the information is provided. In addition copies of all briefs we received are included.

E.2 Municipal Non-Profit Housing Comments

The new program has improved the situation for municipal non-profit housing corporations. Nevertheless, several problems and constraints remain. These are discussed below.

- Resident Mix

There is wide criticism of the 25% limit on family R.G.I. residents. Corporations are concerned that, because they have to provide three market units in order to yield one R.G.I. unit, they are constrained severely from meeting the needs of the community. The City of Ottawa points out that two-thirds of its waiting list is comprised of applicants eligible for R.G.I. assistance. Our data reveals that many residents currently paying market rent in non-profit projects, in fact, could qualify for R.G.I. units.

While the notion of integrated living was supported, there was widespread questionning of the 25% level and criticism of the fact that no hard evidence has been provided to substantiate this figure. It was felt that flexibility should be the case, with higher levels permitted where a clear need is demonstrated. The municipalities felt that the 25% level may relate as much or more to financial concerns of the Province and CMHC than to any strong sociological evidence about income mix and integration.

Further to this point, it was felt that eligibility for R.G.I. assistance should be expanded. An increasing number of single persons and childless couples of low income and other such groups are being encountered and it is felt that these should be served by the program as well.

o M.U.P.'s

Most municipalities felt MUP's presented several problems. They reported insufficient attention paid to local market conditions and to their own opinions. There was concern that MUP's make no allowance for individual situations and features and are not set consistent with the construction season. Changing a M.U.P. is considered "a nightmare".

Most importantly, M.U.P.'s are considered too low in almost every location. Low M.U.P.'s encourage low capital/high operating cost (maintenance and repair) situations. Given the severe on-going financial impact of high operating costs, municipalities believe that higher M.U.P.'s should be permitted, particularly when the capital funds are put into maintenance saving design and equipment (e.g. top quality boilers, gas-fired water heating - see Metro Non Profit brief).

o Lower End of Market

Ideally, rents set at the lower end of market assist municipalities in filling market rental units. There has been widespread dissatisfaction, however, with the levels set by the Province (seen to be high) and the process. Some municipalities believe these rent levels are set more to reduce Provincial financial obligations than as a result of careful research regarding lower end of market rents in a given area. The City of Toronto, for example, cited a situation where the Province rejected a thorough study of rent levels carried out by City staff in favour of data gathered on a much more limited sample by the Ministry of Housing.

Municipalities fear that persistence of this process could result in rents in the market component of their projects well beyond levels affordable by moderate income households. This

would jeopardize the stated goal of providing accommodation to households of this type. The Region of Peel points out that the program could lead to severe segmentation as a consequence; i.e. projects comprised of R.G.I. and middle and upper income residents, with moderate income residents not qualified for R.G.I. unable to afford the accommodation. Our data showed that, while a large component of market residents are in the moderate income range, many of these are paying beyond 25% of income and could experience affordability problems. As important, high rents could contribute to vacancy and associated financial problems. Municpals believe that, where a municipality demonstrates the capacity to conduct valid market research, the Ministry of Housing should defer to the judgement of municipal officials.

o Best-Buy Analysis

Municipalities view this as an unnecessary, costly administrative procedure which shows Provincial mistrust for municipal judgement and capabilities. They believe that the provision of non-profit housing in most circumstances is an extremely difficult, complex undertaking, where every effort is made to be as effective as possible in meeting community needs. Undertaking a best-buy analysis to provide "evidence" that each and every project represents the best means of serving its neighbourhood is considered wasted effort, particularly in the extremely tight rental market facing most municipalities. They would prefer to see this procedure eliminated.

o Fees for Administration

There was considerable comment that the permitted administrative fee was too low to enable adequate recovery of funds and does not relate to actual costs. This may be borne out by the deficits being experienced by City of Ottawa and City of Toronto, although there may be other factors of equal or greater consequence (e.g. organizational problems, vacancies, arrears, etc.).

Despite these difficulties in covering administrative expenses, there is little evidence of widespread provision of "free" or subsidized services to the corporations by the municipalities. In Peel, for example, the corporation must pay full municipal taxes, lot levies and imposts. Municipal departments bill the corporation for all time spent and expenses incurred vis-a-vis non-profit housing. This model is followed to a great extent in other municipal corporations as well, although there are some incidences of subsidy. In the City of Ottawa, some services, such as personnel, legal, purchasing and, to some extent, property repair and maintenance, are not fully billed by the respective Departments. The City maintains that full billing would exacerbate a deficit situation.

While widespread subsidy is not in evidence, municipalities such as City of Ottawa and City of Toronto have been called upon to provide temporary funding to cover non-profit housing deficits. These types of situations certainly were not anticipated at the outset of the program and may be jeopardizing its wider acceptance.

While operating fees are of concern, the 2% capital allowance was seen as adequate in virtually all cases. Some municipalities remarked, in fact, that they deliberately carried out extensive construction programs in order to receive these funds and apply them to cover operating deficits.

- Organization of Municipal Non-Profit Housing Corporations

This is a subject of extereme concern, evidenced both by the comments of municipal corporations themselves, and our own observations. There are no clear organizational models for these corporations. Each has developed and grown differently. Metro Toronto and the Region of Peel tend to be "lean" organizations, with tight financial controls and a minimum of head office staff. Both make wide use of the modified tender approach to development, whereby site selection and project design are left largely in the hands of outside sources. City of Toronto and City of Ottawa retain more of these services in-house and as a result have established larger staff complements. Some of these corporations have experienced on-going financial and organizational difficulty, as evidenced by the publicized events in the City of Toronto.

In our work we also observed a third type of organization which appears to be functioning highly successfully in the Town of Pelham - a small community of 10,000 in the Niagara Region. Pelham is completing construction of a sizeable senior citizen project (55 units) and has contracted out all aspects of the process-design, construction and tenant placement. The Town Clerk has carried out any necessary paperwork and members of the Board (comprised of local politicians and members of the community) have met with the Ministry as necessary. On-going management of the project also will be on a contract basis with a local property management firm. To date construction is on schedule and on budget, tenants have been selected for all units and the agreement has been signed with the property management firm. No staff have been hired on by the municipality.

Given the range of organizational structures established and approaches pursued and the varying degrees of success encountered, it is clear that there may be some models of organization more conducive to cost and delivery efficiencies than others. It was widely suggested, and would seem highly advisable, that the Ministry work towards the development of detailed advice to municipalities on organizational structure.

o Marketing

With rents of 75% of units set at or near market, municipalities are finding increasing need to carry out extensive marketing programs. Non-profit projects built in low income neighbourhoods, for example, have difficulty attracting market tenants, especially if alternative accommodation is available elsewhere. It was felt that Provincial support, in terms of publicity, advice and funding, should be forthcoming to assist in marketing. Failure at marketing, again, could result in vacancy and related financial difficulties.

o Public Perceptions

A similar concern relates to public perception of non-profit housing. Municipal corporations find the public and many members of local councils unable to distinguish between non-profit housing and OHC public housing. As a consequence, difficulties are experienced in overcoming council objections and winning support of local communities. Costly delays are experienced and project costs rise. There was general agreement that the Province should assist non-profits in educating the public and elected representatives about non-profit housing, perhaps through a public awareness campaign.

o Acquisitions

Provincial policy favours revitalization of the inner city and rehabilitation of the existing housing stock. Yet, municipal corporations are finding that Provincial regulations effectively act as roadblocks to acquisition. The City of Ottawa very much supports the concept of acquisition and rehabilitation, but has expressed frustration in their brief of August 15, 1980 to the Ministry. They note that the ambiguity concerning cost estimation for rehabilitation and the requirement of obtaining fixed prices by tender prior to closing a purchase make the process of acquisition impractical. They suggest that the Ministry administer the process as initially indicated in a prior document (February 7/80). Comments from other municipalities lead to the conclusion that acquisition activity will virtually cease unless these problems are examined more closely and improved procedures are put in place.

o Provincial Approval and Administrative Process

This aspect received perhaps the widest criticism. Municipalities demonstrated awareness that the Province was still in the early stages of development of its administrative practices; yet they were highly critical of the approaches

adopted to date. The Region of Peel brief, for example, notes that "due to inflexibility of Provincial authorities in reviewing non-standard project applications, there are occasional difficulties in application processing". They pointed out that Provincial staff tend to "invent policy on the spot" and that the level of detail in project application reviews is far in excess of what is required. Architectural comments are viewed as subjective, with no established criteria in many cases.

The City of Ottawa brief notes:
"it (development approval process) is long, too cumbersome, uncoordinated, too expensive, requires too much information and involves too much duplication.

In addition, Ministry staff have been found to be defensive, unrealistic, to have no appreciation of timing constraints and no idea regarding the realities of moderate priced housing".

In short, it is clear that careful review of administrative procedures is required to ensure they do not create unnecessary roadblocks, yet also provide the Province with adequate protection regarding the viability of any project. As noted earlier, there is general optimism that the situation will improve over time as Provincial experience grows.

- Site Planning Standards

A number of concerns were expressed, often depending on the particular characteristics of the municipality. The most common problem has been CMHC's tendency to set planning standards more applicable to suburban situations than to inner city housing. These have created problems in places like the City of Toronto, where standards regarding required setbacks, private outdoor space, tot lots and parking are extremely difficult to meet. In its annual report of August, 1980 the City called for guidelines more "sensitive" to the unique situation of each site. More recent discussions indicate a feeling that the situation is improving and will not present as serious problems in the future.

- Working Capital and Interim Financing

Some municipal corporations noted that in many developments, interim financing is required for several costs (e.g. advancing funds to contractors) before mortgage monies are advanced. Likewise, operating losses can arise for any number of reasons. Similarly, the time required to prepare a site for construction may necessitate advances well before current regulations would permit. It has been found, therefore, that working capital and interim financing are required in order to successfully operate. Some corporations have been advanced

funds by council for this purpose, or have had to borrow interim funds often at high rates from private lenders. This raises the cost of non-profit housing to the corporation and, in some cases, the municipalities. It was suggested that the Ministry examine its loan advance procedures to increase flexibility where required.

The newly announced Provincial ILAG (Interest-Free Loans and Grants) Program which provides start-up assistance to municipal non-profits, should help overcome the problem.

o Reserve Funds

As noted earlier, the new program is seen as beneficial in that it allows greater opportunity to establish reserve funds. Municipal corporations are finding these funds to be of continually growing importance, as the frequency of major repairs increases, or the need for interim financing grows. They also see a need for a reserve fund to cover modernization and improvement costs associated with projects acquired under previous programs. The corporations, however, would prefer to see still greater flexiblity from the Ministry in allowing for the establishment of central reserves to earn interest and operate as working capital.

o CSCP

There is a great deal of uncertainty about CSCP funding at present. When the funds were provided, several municipal corporations believed they should have been allowed to apply them to neighbourhood improvement rather than strictly to rent reduction. The present uncertainty about the continuing availability of these funds leaves this a subject of further concern to the non-profits.

o Environmental Assessment Act

The municipal non-profits are finding that regulations in this regard can delay approvals six months or more and raise development costs. They feel that, given the extensive review procedure on all applications, Environmental Assessment is unnecessary and would like to have the Province consider exemption for non-profit projects.

o Change in Income Status

It was pointed out that if existing market residents suffer a reduction in income such that they can no longer afford a market unit, they may be prevented from R.G.I. status by the 25% limit. This can create individual hardship which could be

avoided with a more flexible approach by the Ministry. The municipalities believe these situations should be taken into account and a more flexible approach adopted.

E.3 Private Non-Profits and Co-ops

A set of project manager questionnaires was distributed to projects across the Province and discussions held with several non-profit groups. Responses were received from groups all across Ontario from communities such as Ottawa, Kingston and Peterborough in the east to Timmins in the north, St. Catharines and Cambridge in central Ontario and Windsor and Waterloo in the west. Generally, there were fewer problems related to us by these groups than by the Municipals. In virtually every case they found subsidies to be adequate and foresaw no future financial difficulties. Few maintenance problems were being encountered, and arrears and vacancies were virtually non-existent. In many cases, sizeable waiting lists for senior citizen and family accommodation were noted.

Nonetheless, some problems and constraints have been observed. These are discussed below.

- Program Objectives

The brief received from the Co-operative Housing Working Group stated that the goal of non-profit housing programmes should be defined as follows:

> "the creation and expansion of a stock of not-for-profit housing that will be affordable on a continuing basis to low and moderate income households."

They felt the goal of the programme as outlined in the terms of reference to this Study should be revised accordingly. They also noted that the difference between co-operative housing and other forms of non-profits is that co-ops" provide affordable not-for-profit housing that is owned and managed by the residents themselves".

o Start-up Funds

There were some complaints about the inadequacy of start-up funds under the Old Program. Many groups have had to rely on donations or interim financing. They find that CMHC was often reluctant to provide start-up funds until 80-90% of the work has been done towards proving the feasibility of a project, thereby adding to the difficulty of getting projects off the ground. The co-op brief suggested that CMHC make a 3-year budget allocation for start-up financing.

o Approvals

Many groups complained about problems encountered with CMHC in seeking project approvals. The length of time and level of detail required and sometimes inconsistent decisions made has caused dissatisfaction among many groups. Delays in receipt of capital grants and rent supplement funds have caused problems. CMHC site planning guidelines do not adequately recognize inner city development conditions.

o Appraisals

It was noted that insured lending principles applicable to market housing are often used in inappropriate sitautions with respect to co-op housing projects. Whereas CMHC usually uses the income approach to determine maximum loan values for acquisitions, the co-ops felt a market value approach would be more appropriate.

o Municipal Taxes

Many groups find these to be the most rapidly-inflating aspect of operating costs. Interestingly, there are a considerable number of cases where charitable groups (e.g. church-related, Loyal Orange Association) are exempted in full or in part from municipal taxes and often granted land free or below market by municipalities. There appears to be a clear attitude by municipalities that these groups "deserve" subsidies byond those available from Senior Government, whereas co-ops and municipal non-profits do not.

o MUP's

The co-op groups agree with the concept of MUP's. They commented, however, that CMHC had originally agreed to revise MUP's twice annually but has not done so, thereby leaving co-ops unclear as to the MUP's that are acceptable at any given time. They also pointed out that there are particular circumstances that are not considered in setting MUP's; i.e.,

present MUP's constrain the development of small new construction co-ops; inner city MUP's require desities poorly suited for family living; MUP's for seniors units lead to uniformly smaller units, which may not always be appropriate; MUP's do not adequately recognize the problems created by the "overheated" rental market in some cities such that rent levels are above the level affordable by moderate income earners.

o Energy

Energy costs are escalating very quickly in many projects. Several groups commented that CMHC is not sensitive enough to energy conservation measures in both project design and budgeting.

o MUP's

The co-op groups agree with the concept of MUP's. They believe, however that the process for determining MUP's and the levels being set are inadequate.

o Energy

Energy costs are escalating very quickly in many projects. Several groups commented that CMHC is not sensitive enough to energy conservation measures in both project design and budgeting.

o Site Inspection

In some cases, groups felt there was inadequate performance by CMHC in inspecting properties being considered for acquisition. In one case, this contributed to extensive on-going maintenance problems from a builder who had gon bankrupt.

o Land Assembly/Property Acquisition

Co-ops noted that they were unable to purchase long-term options on land as they do not have large sums of capital. This restricts the number of sites that can be considered for feasibility studies. They urged that Federal programs be established to allow municipalities to assemble public land banks for non-profit and co-op projects.

o Unit Design

There was little feedback on unit design. Some co-ops have found that recommended maximum unit sizes result in the lack of suitable dining and kitchen facilities and rather small bedrooms aside from the master bedroom.

o Market Financing (New Program)

Concern was expressed that market financing has increased the cost of interim capital financing and thus lowered building quality or put pressure on MUP's.

o Rent Structure (New Program)

A key comment was made about the rent structure in private non-profits. Because of the structure of the subsidy, there is no incentive for higher income tenants to behave responsibly, as increased operating costs do not affect rents but merely reduce the amount of subsidy available to house R.G.I. tenants.

o Total Subsidies

It was noted that housing charges can be extremely high in areas of Ontario with high market rents. Co-op groups in these areas are finding difficulty housing as many low and moderate income residents as they would like to accommodate, given the available subsidies. They note that deeper subsidies may be required, particularly if the current economic uncertainty continues.

o Subsidy Structure (Old Program)

As in the municipal comments, concern was expressed about the declining Rent Reduction Grants of the Old Program being inflationary. The new program was found to allow more freedom to respond to local needs and demands.

o Project Administration

There was the suggestion that CMHC should provide operating manuals re: management strategies.

o Replacement Reserves

It was noted that insufficient replacement reserve funds are posing a problem in some non-profits.

o Local Development Standards

These were found to vary widely among municipalities, but generally were acceptable. In terms of zoning, greater flexibility in engineering and servicing standards, such as narrower road allowances and reduced setbacks, would be appreciated.

o R.R.A.P.

Co-ops find R.R.A.P. to be a useful and important program, particularly with the growing importance of inner city rehabilitation. They uged that R.R.A.P. be continued and expanded if possible. They also noted that in some cases initial R.R.A.P. funds have proven inadequate, such that heavy repair costs arise through time. They suggested program budgets be revised to ensure economical long run performance.

A few points of interest can also be mentioned. It was found that charitable non-profits often receive heavy subsidy in the form of land and tax exemptions. Also of interest, some co-op and private non-profits have established inocme ceilings. Most undertake limited marketing activities. Most use resident labour for minor repairs. In all, the program appears to be functioning fairly well from a management perspective, although there is considerable room for improvment.

INTERVIEW GUIDELINES FOR
DISCUSSIONS WITH MUNICIPAL WORKING GROUP MEMBERS

1. Background

1.1 Size and age portfolio
1.2 Emphasis re: Unit type and tenant mix

1.3 % new development vs. acquisition

1.4 Any turn-key projects

1.5 Types of locations

1.6 % old program vs. new program

1.7 Municipal support
- property tax relief
- land assembly assistance
- staff support
- other?

2. Operating Constraints and Problems

2.1 Project Management

2.1.1 Unit Allocation Process

- describe process
- how was it developed
- any income ceilings on other restrictions on market units
- any changes in process since originally devised
- any major problems?
- effects of new program on process?
- do you presently have a waiting list - size, reason?
- do you promote. If yes, how and cost
- any contact with OHC (Housing Authority)

2.1.2 Maintenance and Services

- describe process e.g. co-operative
- any recurring problems or major tenant complaints
- any major repairs undertaken
- any noticeable escalations in operating costs (e.g. energy)
- any noticeable differences between acquisitions and new developments
- effects of new program on maintenance costs and activities?
- do you foresee any long-term difficulties. Why?

- do you provide or arrange any on-site services (e.g. light nursing care for seniors, recreational programming, etc.) Cost? Who pays?

2.2 Financial Aspects

- are subsidies adequate under new program? Specify
- Were they more/less adequate under old program? Why? Which subsidy structure is better suited to your needs?
- Long-term impacts of new subsidy structure on tenant mix?
- Specify rate of escalation in your rents. Reasons?
- % arrears
- % vacancies
- Do you expect any major financial difficulties in long term due to structure of old and new programs? Differences between acquisitions vs. new developments
- Other problems

3. Development and Acquisition

- Describe criteria for site selection or acquisition. Any difficulties in land assembly or property acquisition due to program structure?
- Any consistent difficulties with processing of your applications
- Is the level of start up funding and the procedure for receipt of funds adequate?
- Are project administration funds adequate?
- Are MUP's realistic? Effects on quality of development and mix of tenants?
- Do you encounter constraints due to CMHC/MOH design criteria? Specify
- Tenant Reaction to design

4. Other Problems and Suggestions

City of Toronto
Housing Department

R. M. Bremner, P.Eng., F.I.C.E.,
Commissioner

14th. Floor,
180 Dundas St. W.
Toronto, Ontario M5G 1Z8

February 27, 1981

Woods Gordon
Management Consultants
P.O. Box 251
Toronto-Dominion Centre
Toronto, Ontario
M5K 1J7

REPLY ATTENTION:

TELEPHONE:

Attention: Mr. Gerald A. Grant

Dear Sir:

Further to your phone conversation with Keith Ward of my staff and correspondence from Terry Fagan of the Ontario Ministry of Housing, I am setting out here our major concerns regarding both the old (NHA Sect 15.1) and new (Sect 56.1) non-profit programs and their administration.

A. Project Planning and Development

One can safely generalize by saying that the process and practices of provincial approvals for new projects often reveal an unimaginative, bureaucratic mentality seemingly rooted in the public housing experience - which is the only experience the Ministry has. The net effect is to present the Ministry, particularly its staff at lower administrative levels, as a major and growing obstacle to the development of non-profit housing; political and senior staff attitudes and directives which are supportive of the program and of specific projects do not seem to be effectively communicated to junior staff who often consequently play an obstructionist rather than constructive role.

Because of formidable land costs in Toronto, the Housing Department continually explores new and innovative techniques for delivering housing within allowable prices. Some recent approaches or intended approaches include: joint Parking

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Authority/Cityhome developments with access to Parking Authority spaces adequate to serve the residential component; purchase or leasing of air rights over private commercial space; and capitalized leases of all or part of a private development. These approaches have either been rejected completely or else MUPs have been reduced to take account of Cityhome's not owning its land, parking spaces, etc. These MUP reductions reflect an unrealistic appraisal approach related entirely to MUPs themselves and not to actual or realistic costs or to anything like market value. The result is that any gains made through Cityhome innovation, which would have made development possible where it could not have been undertaken before, are wiped out and development is once more impossible.

In reviewing project designs, Ministry staff frequently comment in far too detailed a manner upon preliminary drawings or schematics - a waste of their time and a delay in the approval process. Since Ministry staff comments have been forwarded to us unedited, we have had the opportunity to see who says what, and it is quite apparent that their staff are spending time reviewing drawings and commenting on areas entirely out of their area of expertise. For example, appraisers comment on built form or alignment with no regard whatever for site conditions - again, a waste of time for no useful purpose.

Also on the subject of design review, Ministry staff are far too rigid in their application of CMHC guidelines. I enclose separate memos which discuss in more detail our main problems with the guidelines and their use, but it is most important to note that when CMHC administered the program, there was considerable flexibility which is lamentably absent at present.

Although the Ministry has been quite good about consulting with program users about various administrative aspects, consultation on planning and development processes is far from satisfactory. New directives and additions to the voluminous

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procedures manual are issued without any checking as to their acceptability, and some represent sharp differences from previous practice. Indeed, drastic and direct action has been taken by the Ministry (such as subsidy suspension) in response to perceived infractions on our part, without any due warning or adequate time to discuss and correct the problem. It also seems, in talking with our lenders, that the Ministry is not above advising that consultation has occurred when in fact it hasn't.

A fundamental theme in the Ministry's approval practices has been to minimize its own subsidies - first by cutting back on capital costs and mortgage amounts and second by shifting operating expenses to the capital side, loading up on the federal interest subsidy. The examples above of reducing MUPs are an obvious sign of this approach but others abound: the use of CSCP for mortgage write-down instead of more productive uses and the incorporation of lending fees as a capital expense instead of a part of the negotiated interest rate are a couple more cases. The shift from operating to capital further endangers project feasibility vis-a-vis MUPs and necessitates reductions in other project expenses (and therefore in project quality). The whole approach is one which ignores the fact that projects must be competitive with the private market and cannot be designed and built as if costs were <u>the</u> over-riding control - an approach which was used in public housing and which did not work there either.

My final comments pertaining to our development process concern the level of bureaucracy involved in provincial approvals and the conservative attitudes and lack of communication that the bureaucracy has created. I have already cited the failure to translate the position of senior staff into actions by junior staff and the resistance to innovation. These, I think, reflect the cocoon of the layers of provincial bureaucracy which insulate staff from both the urgent need for their constructive support and the consequences of their needless impediments to development. It is not unusual to be informed

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that the cause of an unanticipated delay is the requirement that some obscure committee review a proposal, extending the approval process into yet another area not formally involved according to the Province's own complex flow diagrams.

I suspect bureaucratic attitudes are at play when construction techniques or materials which are fully satisfactory to municipal officials or have even been verified by independent consultants are questioned by Ministry staff. This has required us to conduct tests after construction to verify the adequacy of our methods - an expensive prospect - only to have the Ministry refuse to pay for the tests. A lack of communication within the Ministry is evident even among junior staff, as when co-ordinators approve specific items which a field inspector later tries to have changed.

B. Administration and Management

Although the Ministry was good about consulting with program users prior to creation of the administration manual for the new program and revisions to the manual for the old program, the process of ongoing consultation is somewhat deficient. Inadequate consideration is given to the fact that Cityhome (and other municipal non-profits) must operate under two programs, that systems and staff have been set up and conditioned to one set of procedures and cannot immediately adjust to a new set. Not only must Cityhome institute an in-house restructuring, but we must contend with established systems in other City departments who may not be capable of rushing to accommodate Ministry of Housing requirements.

It sometimes seems that Ministry officials responsible for overseeing administrative operations are themselves uncertain about all the ground rules and consequently, as they do during the development process, they make rules up as they go along. This would be acceptable if it were done in a consultative atmosphere, but it is not. It was indicated to program users that the administration manuals would be subject to revision on the basis of practical experience.

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This implies to me that a continuous dialogue should be taking place to review what works and what doesn't work, what can be implemented now or what can be done only after a lengthy adjustment; that dialogue has not generally occurred.

There has been reasonable cooperation on management policy issues, such as clarification of rent supplement eligibility rules and procedures for increasing housing charges. Those involved in dealing with tenants, as opposed to those concerned primarily with numbers (budgets, subsidy payments, etc.) seem to have a better appreciation of the complexities involved in operating not one, but two social housing programs, and are therefore more aware of the need for flexibility and compromise. The all-too-frequent solution of Ministry officials who aren't satisfied with our data or data procedures - the threat of or the actual curtailment of subsidies - is hardly conducive to a good working relationship, expecially when Ministry demands may not have been clear or realistic in the first place.

Some specifics:

- Project budgets under 15.1 are set according to project anniversaries, but it is required that 56.1 projects be run on a calendar year basis. Until our systems can fulfill the needs of both programs, there is no reason why the Ministry could not do its own pro-rating in establishing its budget needs.
- The monthly adjustment of cash flow for rent supplement and rent reduction grant payments is a time consuming and unnecessary process, since monthly reconciliations could be carried out and actual cash adjustments made once a year would considerably ease workload.
- The requirement to provide summaries for individual tenant receipt of supplement payments is wasteful considering that Ministry files should contain the necessary information.
- It is not clear when quarterly activity reports are to be submitted nor whether they are to be summaries of the quarter only or cumulative, and

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one approach may work better than other depending upon systems in place.

- Inability to supply all at once complete data for budget estimates should not preclude Ministry review of data that is submitted.
- The time allotted for the submission of audited project budgets is not sufficient for systems just being established.

I would suggest that the aims of both the Province and the municipalities could best be served if municipalities were involved in training and seminars given to provincial staff, if Ministry officials were more active in training municipal staff, and if the Ministry avoided unilateral action without first undertaking careful discussion.

C. Subsidy Arrangements

The Ministry is not alone in giving inadequate recognition to the fact that municipal non-profit housing companies are publicly controlled social housing agencies and thereby incur costs above what could reasonably be expected of a private owner. Fair wage policies must be adhered to which can make the simplest maintenance expensive. People who would be unlikely to secure decent accommodation in the private sector by virtue of their incomes or their employment or tenancy histories are made welcome, but they can generate large and unpredictable debts. Tenants need more personal attention and their involvement in various aspects of management must be actively promoted. Politicians with questions or problems concerning tenants or the program itself must be dealt with, as must an attentive media. All these things add to operating costs.

The new non-profit program theoretically can absorb the costs of running a social housing agency without adversely affecting the competitive position of the housing itself. It remains to be seen if sufficient allowance will be made in on-going operating budgets, however, so that the reality of the new program matches its theory. For projects under the old program, however, there is no recourse but to pass

"extra" costs onto rents, posing an unfair burden upon market tenants in the current rental market. So long as rent controls are in place in Toronto, the necessity to adjust rents to recover all costs will result in rents moving further above most housing in the area.

Similarly, there is limited flexibility in the old program to deal with unanticipated major operating expenses, such as equipment repair or energy conservation measures. The new program is superior in this regard, at least in theory - the practice has yet to be tested and it is important that flexibility be maintained.

The drop in provincial Rent Reduction Grants, particularly the sharp drop in the third year of operation, itself is presently adding about 2½ per cent to project rents. This factor will be greater in newer projects where the initial grant is larger. These increases have the potential to upset a project's marketability, when added to other costs in a rent-controlled marketplace. There is a serious danger of generating a flood of transfer requests from 15.1 projects to 56.1 projects as "old" rents approach or even surpass the "new" rents and as people become aware that rents under the new program are currently more predictable than under the old.

A public perception of rent inequities between old and new programs and among projects which were built under 15.1 is inevitable. The latter has already occurred, with tenant (and press) attention pointing out very different rents for comparable units. Some rationalization of rents under 15.1 is clearly in order, but the ideal approach would be an incremental application of new program subsidy arrangements to the old program, to bring the whole portfolio in line and extend the advantages of new program flexibility and predictability to all tenants.

In very brief summary, I would say that changes have to be made to the structure of the old non-profit program to keep it on competitive and

equitable footings. Most important, a change in attitudes is necessary and Ministry staff must reflect in their work the aspirations placed in the non-profit program by three levels of government and their own senior officers, so that they will be prepared to offer constructive criticism, flexibility and patience, and to be as active in consultation and training as they have been in simply regulating.

Yours truly,

Commissioner

KW/cs

ITEM	CITY OF TORONTO HOUSING DEPARTMENT REQUIREMENTS	PROPOSED CMHC SITE PLANNING CRITERIA	COMMENTS
1.	Front setbacks should repeat the existing setbacks of most houses on a street, or as required by existing zoning by-laws or specific site by-laws. The separation space to be formally accepted by Municipal Planning, Building, Fire Departments.	Provide separation space to CMHC Site Planning Criteria handbook or municipal requirements, whichever is greater. But setback from local residential street rights of way to walls containing principal living room windows to be no less than 4.5m.	No dimensional requirement should be made. In many instances the individual designs will take care of this by means of vertical grade separation, privacy screens or fences and/or plantings.
2.	Provide parking spaces as required by specific area by-laws or as follows when no specific by-law exists. a) 1 space for every 2 family units. b) 1 space for every 4 non-family units. c) 1 space for every 10 senior citizen unit.	100% parking for residents; 25% parking for visitors.	Since the definition for new developments would apply to St. Lawrence & Frankel/Lambert CMHC's requirements are much too great. Existing site plan criteria recommended but did not require one visitor space for every 6 units.
3.	As above.	Provide parking sized by calculating actual need, based on the parking in the surrounding viable neighbourhood and as accepted by the municipal Planning, Building, Street and Fire Departments. Locate	The requirement for parking is acceptable to the Housing Department stipulation that parking be located in areas separate from pedestrian walkway and tot lot areas is too

		parking areas separate from pedestrian walkway and tot lot areas.	restrictive. There are many methods to separate parking from tot lots. Each project must be looked at on an individual basis. Parking lots must have walkways to serve them.
4.	All requirements that apply to developments in older neighbourhoods should apply to new large projects such as St. Lawrence, Frankel/Lambert and any future developments of this scale.	Minimum amenity areas to remain as per current edition of CMHC site planning criteria handbook. Private outdoor Living areas reduced from 45 square meters for all unit types to 20 square meters for 1 bedroom, 32 square meters for 2 bedroom and 44 square meters for 3 bedroom.	The proposed reductions have very little meaning, since the total amenity areas have not been reduced. This section should apply to new raw land type developments in suburban locations and not to developments within old established areas, regardless of size due to the land cost and physical restraints.
5.	1 bd.-8.5 square meters - patio 2 bd.-8.5 square meters - patio 8.5 square meters - balcony 3 bd.-8.5 square meters - patio 8.5 square meters - balcony	1 bd.-13 square meters - private OLA 2 bd.-25 square meters - private OLA 12 square meters - public OLA 3 bd.-35 square meters - private OLA 15 square meters - public OLA	The requirement for a 13 square meters balcony for one bedroom units is unreasonable. At this time we have no family units that have balconies this large. No public amenity area requirements should be made, as many of our projects are of such a

4 bd.-18.5 square meters - patio 8.5 square meters - balcony	4 bd.-35 square meters - private OLA 35 square meters - public OLA	design or size that virtually none is provided. For rental projects the private outdoor living area is too large, however there are some projects where we meet this and even exceed it.
We have no specific requirements for public amenity areas, but common open space is extensively covered in our design guidelines. All projects that are multi-family developments must have tot lots, if the project is of such a size as to warrant one. Certain specific area site zoning by-laws require balconies or outdoor living areas that are slightly larger than the above figures.	<u>Total Amenity Areas</u> 1 bd.-13 sq. meters 2 bd.-37 sq. meters 3 bd.-50 sq. meters 4 bd.-50 sq. meters One 50 sq. meters tot lot for each 20 units, located not more than 30m from an overview from units being served.	The area requirements should not be restricted to projects close to the downtown core. Our projects are located in all parts of the City. A reduction of the 1 bedroom balcony to 8.5 square meters is acceptable, as it still leaves the balcony much larger than what we now provide.

NOTE: The proposed revised site plan criteria standards are more suitable for condominium or freehold townhouse developments in suburban locations. Inner-city rental projects must have different requirements.

City of Toronto
Housing Department

File: 592.10

Memorandum

TO: K. Ward

FROM: R. Gaizutis

RE: Problems With Ontario Ministry of Housing and C.M.H.C. Planning Criteria

DATE: February 11, 1981

MAJOR RESTRICTIONS/FAULTS

1. Requirements for private outdoor living areas as well as total minimum amenity areas are too great for projects within the City.

   The revised criteria requires private outdoor living areas of 25 m^2 (269 sq. ft.) for two-bedroom units, 35 m^2 (376.6 sq. ft.) for three- and four- bedroom units, as well as an additional 12 m^2 and 15 m^2 of public amenity area. The requirement of a minimum 8.5 m^2 (91.5 sq. ft.) balcony for one-bedroom units and 6 m^2 for bachelor units is also too great.

   Most of our projects built or in planning stages cannot meet the total mandatory amenity area requirements. Many can't meet the minimum private outdoor living area requirements.

   The requirements are too great and are being too rigidly interpreted and enforced by Ministry of Housing staff.

   The Ministry of Housing published Site Planning Criteria and Site Planning Guidelines For Medium Density Housing dated January, 1980 contains a number of discrepancies between it and the revised Site Planning Criteria enforced for our projects. The introduction to the booklet states that "The Guidelines are for chiefly intended for medium size and smaller municipalites and that the Guidelines are intended to be used with sufficient flexibility rather than too rigidly".

   The booklet states that "all family housing units (units containing two or more bedrooms) above grade, where the outdoor living space is provided through balconies, terraces or decks, should be a minimum of 6 m^2 and should be at least 1.8 m deep. Where balconies are provided for one-bedroom or bachelor units, the outdoor living space should be not less than 3.5 m^2 and should be at least 1.8 m deep."

2. The separation space requirement for walls containing living room windows is a minimum 4.5 m (14.76 ft.) from street right-of-way. This does not take into account the fact that a sidewalk could be a further 2.5 m± away. This is too restrictive and can cause us problems especially for buildings on mews type streets, and lots that are not deep such as Frankel/ Lambert.

   The setback and separation requirements should be to municipal requirements with no minimum dimensions.

3. The requirement for one minimum 50 m^2 (538 sq.ft.) tot lot (play area) for each 20 family units, located not more than 40 m from an overview from the units being served is not only too great but is also not desireable. Theoretically, a 200 unit family project could have ten tot lots totalling 500 m^2 (5,382 sq.ft.). Unless a specific project is spread out over a very large area one tot lot is enough. C.M.H.C. Site Planning Criteria, prior to its revision, didn't require more than one tot lot, even for suburban projects.

EXTRA COST TO PROJECT

1. There would be a considerable amount of extra construction cost if we tried to meet the minimum mandatory amenity area requirements. On a small site, such as Mutual Street, a medium or higher density family housing project would have to provide balconies that are larger, various indoor recreation rooms, health club and a roof garden. The alternative would be to go to a building that consists mainly of bachelor or one-bedroom units since the minimum requirement for total amenity area is much lower. This would result in few family units being built.

   The other alternative would be to reduce the total number of units to such a point that the existing minimum requirements could be met.

   This would result in us not fully utilizing the maximum allowable density for a site and having a higher per unit land component cost. In some projects this might be the only way to go since it might be physically impossible to meet the amenity area requirements.

2. A further problem is that we might not be able to increase the cost of a project or to reduce the density and increase the land cost per unit, due to the constraints of the MUP's. Most of the current projects have found the MUP's to be too low, even where land costs are minimal.

SUMMARY

1. Private outdoor living area requirements are too great.

2. Total minimum amenity area requirements are too great.

3. Separation space requirements are too great.

4. Provincial interpretation of Site Planning Guidelines and Criteria is too rigid and very inflexible.

5. Extreme cost is imposed on all projects due to amenity area requirements.

6. Extra time is added to a project in trying to meet excessive minimum site planning criteria. This again adds to the cost of a project.

7. Amenity requirements do not take into account the low MUP's and high cost of land in the City.

8. Amenity and MUP's requirements can force us into projects that don't have enough family units and too many bachelor and one-bedroom units.

9. No differentiation is made in the Site Planning Criteria for rental projects and for condominium or freehold projects.

10. The requirement for tot lots (children's play area) is not realistic and is virtually impossible to meet.

Ray Gaizutis

RG:bm

City Living · Habitation Urbaine

City of Ottawa Non-Profit Housing Corporation
Société de Logement à But Non-Lucratif Ville d'Ottawa
214 Hopewell Avenue, Ottawa, Ontario K1S 2Z5

Ron J. Kolbus
Housing Manager /Gérant de Logements

Rentals/Locations 563·3441
Administration 563·3435
Projects/Projets 563·3435

27 October, 1980.

Mr. Gerald A. Grant,
Consultant,
Woods Gordon,
P.O. Box 251,
Toronto-Dominion Centre,
TORONTO, Ontario.
M5K 1J7

Dear Mr. Grant,

On September 15, 1980 we met with Mr. Ed Starr of your office to discuss the items listed on the interview guideline provided to us prior to the meeting. During that meeting, Mr. Starr asked us to describe in writing the major problems we have encountered with the non-profit housing programs. The purpose of this letter is to very briefly review the major items discussed under Item 2 of the guideline titled, Operating Constraints and Problems. In addition, several reports were identified during discussion that we agreed to provide for your information; these are attached.

<u>2.1.1 Unit Allocation Process</u>

1. We have developed our own need rating system which ranks applicants on a 4-point scale ranging from "very urgent" to "market" (see Item 1 attached). This system was developed because of the inadequacies of the OHC point rating system in use in Ottawa which underestimates the major housing problem currently in existence which is affordability. The attached report explains more fully.

2. We have not instituted any system of income ceilings on our market rent units. We do, however, establish income mix targets for each new project based on the rent structure and the unit size structure.

3. One major problem within this general area derives from the program limitation of 25% rent-geared-to-income units in any project. On the average, approximately two thirds of the people on our waiting list require rent geared to income housing. See for example the September waiting list report attached. As a result, we are unable to meet the demand for rent geared to income housing as exhibited by our waiting list. In addition, we sometimes have difficulty finding enough tenants for our market rent units. In this regard, non-profit housing is not a particularly efficient tool to meet low income housing needs.

4. Another major problem we encounter relates to the provincially defined eligibility criteria which confines access to families, senior citizens and disabled single persons. The City of Ottawa has been attempting for years to get the eligibility criteria extended. The most recent submission in this regard was made to the Standing Committee on Administration of Justice (copy of the submission attached).

2.1.2 Maintenance and Services

1. The major problems in this area relate to acquisition where significant expenditures have been required for major repairs thus putting pressure on rent levels. There is a need for a modernization and improvement reserve fund for projects acquired under the old non-profit program.

2. It should be noted that many of the maintenance projects are done on a cooperative basis between management and the tenants, for example, spring clean-ups and beautification programs, etc.

2.3 Financial Aspects

1. A major difficulty facing all non profit corporations has been the frequency of revision to the programs. As a municipal non profit, we are still going through the process of having to sort out with the Ministry of Housing the "new" program. For the private non profits and the co-ops however, there is still no provincial program and in fact, it would now appear that responsibility for the programs is not going to be transferred to the Province.

2. Under the old non profit program, the economic rents, particularly in inner-City locations, have had to be set at a fairly high level. This has led to a significant inequita-

bility in rent levels throughout the portfolio. In addition, the old program did not provide adequately for capital maintenance expenditures. This resulted in the use of cheaper materials which will require replacement in the medium term future. Another problem with the old program related to the surcharge which was in some cases difficult to sell, particularly in projects where economic rents were already at or very close to market rent levels.

3. The old program, however, in theory was superior to the new program in the sense that it was established with a non-inflationary structure. The concept of breakeven rents provided a structural protection over the longer term for the maintenance of below market rents. By contrast, there is no structural protection in the new program for the establishment of rent levels.

4. Related to the previous point is another crucial element and that is the need for local control. It is virtually impossible for any agency to be able to undertake any long term planning when it does not have control over elements as basic as the establishment of market rent.

5. Consideration should be given to charging a surcharge to higher income tenants under the new program.

6. With regard to the 10% CSCP funding, this should be used for social facilities rather than for mortgages.

7. One difficulty which has arisen is that the program was based on assumption of inflation which, due to rent controls in Ontario, has not occurred as would have been expected.

8. One advantage of the new program is that it will cover all costs whereas under the old program the Municipality was required to cover extraneous deficits and any special costs. In addition, under the old program, the reducing rent reduction grant may prove to be a problem.

9. One major difficulty that we have with the new program however is that it involves borrowing from the private sector. It is our belief that mortgage money for social housing programs should be provided by CMHC.

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3. <u>Development and Acquisition</u>

1. The current acquisition program is virtually unworkable; the difficulty with the current procedures are outlined in the letter to the Ministry of Housing which was provided to Mr. Starr on September 15. We have now embarked on a pilot project with the Ministry to try to resolve some of these problems.

2. The lack of a land assembly program has been quite thoroughly documented by the City of Toronto.

3. Development within the inner City is difficult due to lack of choice.

4. CONPHC staff felt quite strongly that some of the problems which we encountered relate to the ignorance on the part of Ministry of Housing staff about the Ottawa scene. In general, it was felt that the Ministry tends to be too Toronto oriented.

5. The following comments were offered with regard to the process:-

   - it is long, too cumbersome, uncoordinated, too expensive, requires too much information and involves too much duplication

   - in addition, Ministry staff have been found to be defensive, unrealistic, to have no appreciation of timing constraints, and no idea regarding the realities of moderate priced housing.

6. The absence of start-up funds for new non profits is a severe problem.

7. It is found that the project administration funds are inadequate and so is the $4.50 for rent supplement administration.

8. The following problems with MUPs were identified:-

   - they are unrealistic
   - they do not take into account the construction season (instead of being announced in April and October, they should be announced in March and September)
   - there is no allowance for special features, i.e. size of project
   - they are Toronto based
   - they are a nightmare to change.

9. With regard to design criteria, it was suggested that the CMHC's criteria is no longer appropriate, for example with regard to energy conservation.

4. Other Problems and Suggestions

1. An ongoing conflict which we have had with the Ministry has been in relation to the assessment of need levels. As mentioned previously we have found that the 25% rent geared to income component is totally inadequate to meet the requirement for housing for low income people in our community.

2. Another difficulty which we have been encountering with increasing frequency over the last year has been community opposition. Despite the Ministry's captivation with the integration concept, we have found that there is virtually no distinction in the public mind between public and non profit housing. Because of the City of Ottawa commitment to community participation, this community opposition is resulting in lengthy delays in the implementation of most of our projects.

3. Another problem relates to duplication with the Environmental Assessment Act. This Act will require for projects of more than $2 million value an eight-month approval process through the Ministry of Environment. Combined with the Ministry of Housing approvals required, this is far too long.

One item on which we would like to congratulate the Ministry of Housing is on their attempt to develop a very comprehensive manual.

Please note in addition to the attachments identified above, the following documents are also included for your information:

1. 1981 Budget Report
2. 1981 Annual Housing Review
3. A letter from some former tenants
4. Report from the 1980 National Non-Profit Housing Seminar
5. A report prepared by Morguard Trust for the above Seminar

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We would request that you do not use any of the data provided in the background report to the Budget Report as this data has now been superseded by more recent information.

We hope this letter meets your requirements. If you require any further information, please do not hesitate to call.

Yours truly,

Ron J. Kolbus

Ron J. Kolbus,
Housing Manager.
JF:aeg
Atts:- 1- CONPHC Need Rating System
2- September 1980 Waiting List Report
3- Submission to the Standing Committee on Administration of Justice on Ontario Housing Corporation
4- CONPHC 1981 Budget Report
5- 1981 Annual Housing Review
6- Letter from former Mooretown tenants
7- Report from the 1980 National Non Profit Housing Seminar
8- Morguard Report - The Financing Story Non-Profit Housing Development

WOODS GORDON QUESTIONNAIRE

1. Background

1.1 At the present time, the Peel Non-Profit Housing Corporation operates 171 units as follows:

Knightsbridge: 90 Senior Citizen apartments
Arcadia Glen: 81 family apartments

* The Peel Non-Profit Housing Corporation received its Charter and By-Laws on

1.2 The proposed building program has a 50:50 emphasis for family and senior citizen accommodation, Provincial guidelines for tenant mix for rent geared-to-income and market accommodation will apply.

1.3 PNPHC products are 100% new development due to a lack of older, appropriate stock for acquisition.

1.4 PNPHC employs a modified turn key operation to meet targets - this includes monthly construction advances and more direct control over specs. etc. to meet PNPHC standards.

1.5 Locations are determined in accordance with site selection criteria adopted by the Corporation in areas of Peel in which a demonstrated need for affordable housing exists.

1.6 PNPHC operates one building (Knightsbridge Senior Citizens development) under the "old" non-profit program. All other projects are built under the "new" non-profit program.

1.7 PNPHC receives municipal support through a purchase of service arrangement (Charged out to projects) for financial, systems development, planning and similar assistance as required by the Corporation from time to time.

2. OPERATING CONSTRAINTS:

2.1 Project Management

2.1.1 Unit Allocation Process

see attached

3.0 Development and Acquisition

- Please see site selection criteria
- no difficulties in land assembly or property acquisition due to program structure.
- due to inflexibility of Provincial authorities in reviewing non standard project applications, there are occasional difficulties in application processing.
- although start-up funding does not apply directly to Municipal non-profit groups, there often are delays in processing mortgage advances through the Ministry of Housing, a process which often takes 20 to 30 days.
- At present, project administration funds are not adequate or related to actual administrative costs.
- MVP's are realistic, no effect on quality of development or mix of tenants, however it should be stressed that any reduction in MVP's will likely force the non-profit corporations to move away from standard apartment style accommodation.
- no constraints due to CMHC/MOH design criteria
- see report re tenant satisfaction dated October 7, 1980 entitled Knightsbridge Post Occupancy Survey.

80:12:17

BJ/si

Region of Peel

MEMORANDUM

To: Joe Freedman, Manager
Social Housing

Date: December 10, 1980

From: Chris Phibbs

Subject: Woods Gordon Study

Maintenance & Services

- describe process i.e. co-operative

The process of supplying maintenance and services to a Non-Profit housing complex can involve either an indirect method or a direct method. The direct method would revolve around on-site, full-time staff, which would mean a Superintendent living within the project. The indirect method is based on "tenant liason" people who live within the project but who are available only for after-hours emergency calls. A full-time, 8:30 a.m. - 4:30 p.m., caretaker provides cleaning services to the building, but does not live on site.

Whenever there is a maintenance request, tenants call the Central Office, the Control Clerk will take the call and inform the Maintenance & Construction Supervisor of the repair to be completed. If the repair can be serviced by Regional maintenance staff, they will be sent to the unit as soon as possible (depending on the urgency of the request) to complete the repair. If the problem cannot be resolved through in-house maintenance staff, a private contractor is contacted to service the repair, Central Office calls the tenant and informs them of the situation and when it will be resolved. Billing for repairs is based upon the nature of the repair. Appliances or unit malfunctions are paid for by the Region, but if a tenant is responsible for the problem, the Region may arrange for service but the tenant will be billed.

- any recurring problems or major tenant complaints

The only major complaint that has been experienced in the Senior Citizens Complex is one of a lack of parking. There is only land space for 10% of the tenants to park their cars in and 45% of the tenants own vehicles. Parking is a difficult problem to monitor, so it was left on a first-come, first-served basis.

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- any major repairs undertaken

No major service repairs have been done to the building, but improvements have been initiated. Carpeting was installed in the upper corridors to muffle foot noise and provide some insulation to the concrete slab. Since Knightsbridge has been operating only for one year, most fixtures are still under warranty.

- any noticeable escalations in operating costs

The major operating cost increase was a result of changing the building maintenance process from a tenant-liason style to a full-time Superintendent system. Costs incurred involved salary and accommodation for the new Superintendent.

Energy costs were naturally higher, but were expected, and therefore budgeted for. General operating costs increased proportionally to the inflation rate.

- any noticeable differences between acquisitions and new developments

All Regional developments are new developments.

- effects of new program on maintenance costs and activities

There is no noticeable difference in maintenance costs between the old program and the new program.

- do you foresee any long-term difficulties?

There are not any predictable long-term difficulties, but there are long-term issues. That is, the appliances will need replacing in seven to ten years, the roofing may need repairs, or a parking lot may have to be supplied. None of these issues evolve from any structural deficiencies or poor building management, but merely from the aging of the building and fixtures, or changes in tenant needs.

- do you provide or arrange any on-site services (e.g. light nursing care, recreational programming, etc.) Cost? Who pays?

The Peel Non-Profit Housing Corporation does not directly supply home services to tenants. The Corporation can arrange for services (financial or social) to be provided to individual tenants through the Regional Social Services Department. Home nursing,

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financial assistance, or homemaking services are available to all Peel residents, and the Corporation responds to particular tenant needs by referrals to Regional agencies.

Recreational services can be arranged by the tenant's association or any group of tenants, and the Corporation will often supply financial assistance for certain events, i.e. Christmas dance and dinner.

Costs incurred by tenants for home services or recreation are usually paid for by the tenants but, in cases of financial difficulty, the Corporation can arrange for assistance through Regional divisions.

Chris Phibbs

CP/si

Region of Peel

MEMORANDUM

To Joe Freedman, Manager
Social Housing

Date December 3, 1980

From Karen Robinson

Subject <u>Woods Gordon Study</u>

The following procedures relate to the Unit Allocation Process for our housing projects.

I. <u>Types of Rental Accommodation</u>

Using guidelines established by the Ministry of Housing, the Peel Non-Profit Housing Corporation will allocate up to 25 percent of the units in its family housing developments on a rent-geared-to-income basis. The remaining 75 percent of the tenants would pay market rents. In Seniors housing projects, 50% of the units are rent-geared-to-income and 50% will pay the market rental price.

Geared-to-income rents will be based on 25 percent of gross income. Except for tenants on short term social assistance or income maintenance program, rents are fixed for one year.

Of the 25 percent units designated as rent-geared-to-income, one half of these units will be filled by persons eligible for rent supplement under Peel Non-Profit Housing Corporation criteria. The remaining 50 percent of the rent supplement units will be made available to persons referred by the Ontario Housing Corporation. If, for any reason, Ontario Housing is not able to fill these units, the Peel Non-Profit Housing Corporation may fill them from their own lists of persons eligible for rent subsidy.

A percentage of the units in all projects will be designed specifically to meet the needs of handicapped persons.

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II. Eligibility Criteria

A. Family or Age Requirements

To be eligible for both types of Senior's housing, the individual or at least one of the couple must be in their sixtieth year. To be eligible for rent-geared-to-income family housing, the family must contain at least one dependent child and consist of either couples both of whom must be aged 18 years or more or sole support parents aged 18 years or more.

To be eligible for market rental unit in family housing projects, families with at least one dependent will be given priority but other couples may apply.

B. Residency Requirements

All applicants must have been residents of the Province of Ontario for at least one year prior to the date of application. First priority shall be given to persons who have resided in the Region of Peel for at least one year prior to the date of application. Where displacement has occurred, second priority shall be given to those who have previously lived in the Region. Where social and/or financial considerations intervene and where there is no applicant with priority on the waiting list who meets the residency requirements, these residency requirements may be waived.

C. Immigration Requirement

All applicants must be legal residents of Canada. Where a sponsored immigrant submits an application for residence with the Peel Non-Profit Housing Corporation, proof must be shown that the sponsorship has broken down. Such proof is a letter from Canada Manpower and Immigration. Rejection of this application will never relate to race, creed or colour, but only to an objective evaluation of sponsorship relationship.

Sponsored immigrants may be eligible for market rentals upon satisfactory guarantee by the sponsor and a credit check of the sponsor.

D. Financial Requirement

Assessment of eligibility of prospective tenants for rent-geared-to-income housing will be determined on the same basis as all other social assessments performed by the Department of Social Services. Income and assets must be verified at the time of each renewal of lease in order to ensure that the applicant's rent is based on current income level and to meet C.M.H.C. and Ministry of Housing requirements.

E. General

Former tenants of local housing authorities such as Ontario Housing Corporation who have outstanding arrears can be considered only if the arrears are paid in full and general terms of previous leases were reasonably honoured.

F. Occupancy Guidelines

1. No more than two persons to a bedroom.

2. Children of opposite sex should not share a bedroom unless both are under five years old.

3. A parent without a spouse may be expected to share a bedroom, if necessary, with a child of the same sex, until the child is 5 years of age.

4. Where one or more spouse has a medically documented handicap, a couple may require separate bedrooms.

III. Development of Process

The Ministry of Housing guidelines have been incorporated into the Peel Non-Profit Housing procedures. These procedures have been developed by the Management Team to reflect the needs of prospective, residents and the overall goal of creating an environment which enhances quality of life.

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IV. Income Ceilings

Where the Region receives similar applications from persons prepared to pay full market rent, preference shall be given to applications which show greater relative financial need.

Revised guidelines are as follows:

One income family -

3 dependent children or less — Maximum $20,000.00

One income family -

4 dependent children or more — Maximum $23,000.00

Two income family -

3 dependent children or less — Maximum $25,000.00

Two income family -

4 dependent children or more — Maximum $28,000.00

(Criteria used $500.00 per child - maximum 6 children)

These income ceilings should be increased on an annual basis using the following scale:

$$\frac{\text{Inflation rate plus cost of living rate}}{2} = \_\_\_\_\%$$

V. Changes in Process

The Municipal residency requirement is presently under review. The Ministry of Housing is advising it is to be discontinued.

The Income ceilings were revised to take into account the limited resources of larger families and to include a scale for adjusting the ceilings on a regular basis.

VI. Major Problems

To date the only major problem we have experienced has been that in situations where a tenant is accepted under the market rental program, if there is a sudden change in circumstances, for example, a death in the family, retirement, ill health leading to reduced financial resources, even though the tenant may then be eligible for a rent-geared-to-income unit, if all units are already allocated, the tenant must remain on a market rental basis until a rent-geared-to-income unit becomes vacant. Even though it is not the specific unit that is subsidized, the percentage will determine the number of rent-geared-to-income units that are eligible.

VII. New Program

The new Ministry of Housing program effects mainly the capital cost funding and has little effect on unit allocation or Management processes.

VIII. Waiting List

All applicants who meet the eligibility criteria will be placed on a waiting list if no units are presently available. The waiting list for the Knightsbridge Senior Citizens' Residence is presently:

Market	27
Rent-Geared-To-Income	60

IX. Marketing

A. Rent-Geared-To- Income

1. Local Housing Authority: The waiting lists for subsidized units maintained by the Local Housing Authority can be used both for assessing housing needs and rent-geared-to-income referrals.

2. Social and Community Organizations: These groups are encouraged to provide referrals for subsidized housing from interested contacts.

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3. Social Assistance Division: The Department of Social Services through both the Social Assistance Division and Community Support Team provide appropriate referrals.

B. Market Rentals

1. Local News Media: The Community Newspapers are approached and requested to print news releases about the housing projects. Small advertisements are placed in local papers immediately prior to opening of the Rental Office.

2. Project Sign: An attractive project sign with a phone number to attract prospects is erected on site during the completion process.

3. Rental Office: The Rental Office will be opened on site within the last few weeks of construction in order that prospective tenants can complete application forms and view the units.

X. Ontario Housing Authority

As previously outlined, the Ontario Housing Corporation provides applicants from their waiting list for subsidized units, reviews other prospective applicants for rent arrears and provides useful information regarding Ministry of Housing policies and establishing an effective tenant mix.

Yours truly,

K. Robinson

Karen Robinson
Management Officer

KR/si

Region of Peel

MEMORANDUM

To Brian Johnston

Date December 17, 1980

From Joe Freedman

Subject Woods Gordon Study

Financial Aspects

1. Are subsidies adequate under the new program?

   A distinction should be made between the depth of the subsidy and the number of subsidies available under the program. The depth of the subsidy is considered adequate insofar as R.G.I. tenants can have 75% of their rent subsidized (i.e. the tenant pays 25% of income to rent). We are also basically in agreement with the philosophy of mixing incomes within the project such that a maximum of 25% of family units and 50% of seniors units are rent-geared-to-income. While this ratio does not meet the need for R.G.I. units in Peel, it is necessary to avoid the pitfalls of 100% subsidized housing projects.

   One key problem with respect to the subsidy aspect of the program, is that the 25 and 50 percent ceilings for family and senior housing respectively are absolute maximums as far as the province is concerned. However, in cases where a rent-geared-to-market tenant's situation changes such that a subsidy is required, the tenant cannot receive a subsidy so long as all available subsidies have been allocated in the project. Therefore, without altering the basic philosophy and intent of the program, a more flexible subsidy structure should be encouraged. (This point will further be discussed in the "other problems" section below.)

2. Were subsidies more/less adequate under old program?

   Both the old as well as new programs have been structured so that, ideally, all operating costs incurred by the non-profit housing corporation are subsidized by the two senior levels of government. (As of April 1980 municipal participation in subsidizing operating costs have been discontinued.)

   The key difference between the two programs which renders the new program more attractive from our point of view is the inclusion of override assistance.

........2

Under the old program, the amount of subsidy available to offset project operating costs, was essentially fixed and determined at the time of the submission of the project operating budget. Recovery of financial costs above those approved in the budget were the responsibility of the non-profit housing corporation. This system left little flexibility with respect to unanticipated operating costs.

Under the new program, the provision of override assistance ensures that operating expenses beyond those anticipated in the operating budget may be recovered from the senior levels of government.

Although it is our intent to keep as close to budget as possible, and hence not to utilizing the override assistance, this feature of the new program does provide added security to the non-profit housing corporation and is, therefore, better suited to our needs.

3. Long-term impacts of the new subsidy structure on tenant mix.

   Presumably, this issue relates to coops and private non-profits where units are effectively subsidized through a "subsidy pool". However, under the municipal non-profit housing program, our rent geared to market:rent geared to income ratios remain at 75:25 for family projects and 50:50 for senior projects.

4. Specify rate of escalation in your rents.

   Rents for our existing senior citizens project are being increased by 4% in 1981 in order to compensate for rising operating costs.

5. Knightsbridge Senior Citizens' Residence (1980)

   0% arrears
   0% vacancies (excluding turnover time)

6. Do you expect any major financial difficulties in long term due to structure of old and new programs?

   As stated above, under the new program, all operating costs will be recovered from the senior levels of government while under the old program any costs overruns were the responsibility of the non-profit housing corporation. However, with careful budgeting and monitoring procedures we do not anticipate major problems under either program.

......3

The key difference between the two programs will impact at the level of senior government funding involvement. As the attached study indicates, the new program involves much higher levels of ongoing financial involvement on the part of the federal government and potentially decreased financial involvement in the case of the provincial government with respect to our Knightsbridge Senior Citizens' Residence.

7. Other Problems/Issues

A major concern with respect to both the old and new programs is that persons of low-moderate income who do not qualify for rent geared-to-income units are being effectively eliminated from participation in the program. This phenomenon occurs for at least two reasons.

First, as discussed above, a maximum of 25% of the units in family projects and 50% of the units in seniors' projects may be rented on a geared-to-income basis. These levels, according to the program guidelines, cannot be exceeded. However, it is not uncommon that a unit may be initially rented by a tenant(s) who can afford to pay the market rent, but where over time the household's financial situation changes such that a subsidy is needed. This is especially common in seniors' housing where a combined pension income would qualify a couple for a market rental unit. However, in a case where one member dies and the household income is effectively cut in half, the remaining member may be highly in need of a rent-geared-to-income subsidy.

It is highly unlikely that the remaining member would be evicted under such circumstances and, therefore, it may be incumbant on the non-profit housing corporation to seek further forms of subsidy for this tenant. This may, in turn, lead to a phenomenon referred to as "creaming".

Creaming is the process whereby market unit applicants in greater relative financial need are bypassed in favour of applicants who are in lesser financial need, and therefore are more likely to afford the market unit rent over time.

For the non-profit housing corporation, this creates a dilemma as the objectives of meeting low-moderate income housing needs is in conflict with that of ensuring a positive cash flow situation.

......4

A second aspect of the program which acts to discriminate against the low to modest income earner relates to the concept of "low end of market" which is used to calculate market unit rents.

Although there appears to be no specific written format for arriving at market rental rates for non-profit housing projects, the procedure used by the province is to identify the range of similar units offered on the private market and set the market unit rental rate for the non-profit project at the low end of the range. Therefore, the rents offered by the non-profit project are as high as or even higher than some rents for similar accommodation in the area.

However, if the accommodation in the immediate area is catering to persons in the higher income ranges, the market rental rates in the non-profit project will also be pegged at prices which are out of reach of certain low to moderate income groups. This further results in a significant disparity in incomes between tenants receiving rent-geared-to-income and rent-geared-to market accommodation within a given project.

For example, the average market rent in Peel Non-Profit Housing Corporation's Arcadia Glen project is $375/month. If we assume that a 25% rent to gross income figure signifies affordable accommodation, then a household would need to be earning $18,000 to be affordably housed at Arcadia. The average annual income of those being offered rent-geared-to-income units at Arcadia is $6,000/year. Therefore, persons earning between $6,001 and $17,999 per year would need to pay over 25% of their income in order to obtain a market unit at Arcadia.

In 1979 about 25% of households in Peel earned between $6,000 and $18,000.

Although more research should be done to determine exactly which income groups are being excluded from participation in the program, preliminary findings indicate the number may be quite substantial.

There appears to be a need, therefore, to rationalize both the means by which subsidies are allocated as well as the means by which market rental rates are set in order to ensure that the low to moderate income earner is not excluded from participation in the municipal non-profit housing program.

Joe Freedman
Manager, Social Housing

JDF/si

cc: Peter Smith

The Municipality of
Metropolitan Toronto

Department of Social Services
City Hall, Toronto, Ontario, Canada M5H 2N1

Address all correspondence to
R.R. Tomlinson, *Commissioner of Social Services*

Reply attention Mr. R. Eades
Telephone 367-8738

January 9, 1981

DELIVERED.

Mr. E. Stan,
Woods Gordon Management Consultants,
P.O. Box 251,
Toronto-Dominion Centre,
TORONTO, Ontario,
M5K 1J7.

Dear Eddie:

Re: Concerns about the Non-Profit Housing Programme

Please accept my apologies for not writing a reply to your letter sooner. It was our understanding that the interview that you had with Ralph Eades of this Department was adequate for your purposes. However, you may find the following comments useful for your report.

One concern that our Board of Directors has about the programme is how a non-profit development can cater to low and moderate income groups without income ceilings. From an operational perspective I have concerns about how we can achieve a social integration of tenants if we do have income limits and prevent a "public housing" stigma which a development with income controls has. I am aware of some well-managed privately-owned limited dividend projects which are perceived by the neighbourhood to be public housing.

As you know, our unit allocation process is on a first-come first-serve basis. This has always been the policy when housing fully subsidized senior citizen tenants in the past and this was carried on when we started the non-profit portfolio. It is the opinion of the Board of Directors and staff that a better socio-economic mix of tenants is achieved if there is no point rating system.

One problem with the development of a waiting list is that most "market rent" tenants rent what they "see and like" not what may be developed in the future. While it is easy to have a waiting list for gear-to-income tenants, marketing is required to develop a list for the others. A better indication of demand is vacancy rates of the overall rental market.

In reply to your questions about maintenance and services, it has been our experience that reductions in operating and maintenance costs must be built into the building and this usually raises the capital cost. Because of Maximum Unit Prices (MUP's) there is a temptation to reduce capital expenditures which will increase operating costs. For example, MTHCL almost always uses gas-fired water heating, which is considerably more expensive to install than electric heating. However, the operating cost of water heating is much less than electric. Likewise, our building standards call for top quality boilers which do not break down as often as cheaper models, thus reducing maintenance costs.

Our greatest problem in non-profit housing is locating sites. The public does not perceive a difference between "public housing" and "non-profit housing." The perception seems to be that if it is government-owned it will be poorly managed and therefore a blight on the neighbourhood, which will reduce property values. Unfortunately, the OHC image and recent press statements about the inefficiencies of Cityhome management have not helped us to convince ratepayer groups that non-profit housing can be a good neighbour or of general benefit to the community.

Just as condominiums which run well are not publicized enough, non-profit housing which is operating well has suffered the same fate of public image. It is important that if non-profit housing is to be encouraged, both the Federal Government and the Province should more actively publicize its positive merits.

Yours truly,

George A. Coleman,
General Manager,
Metropolitan Toronto Housing.

RE:sp

CITY OF THUNDER BAY
NON-PROFIT HOUSING
CITY HALL
500 E. DONALD STREET
THUNDER BAY, ONTARIO
P7E 5V3

1. Background

1.1 52 Units, 2 years old

1.2 48 three bedroom semi-detached houses and 4 four bedroom semi-detached houses

1.3 n/a

1.4 n/a

1.5 n/a

1.6 n/a

1.7 n/a

2. Operating Constraints & Problems

2.1 Project Management

The units are owned by the City of Thunder Bay Non-Profit Housing and Managed by a local appraisal firm.

2.1.1 Unit Allocation

Rent supplement units are allocated on a greatest need basis. The Corporation maintains a standard point scoring system in conjunction with the Ministry of Housing Procedure Manual which createst a greatest need format. Applicants are then placed accordingly.

The Project operates with income restrictions with an ingoing limit of approximately $16,000 and a maximum of $20,000 outgoing. To briefly explain the procedure, perspective tenants are not allowed to make over $16,000 to qualify for housing. The tenants wage is then allowed to increase to a maximum of $20,000 while residing in the unit. Once income exceeds this limit, the resident is required to terminate his/her tenancy.

The only other restriction being the residents must have a family.

There have been no major changes since the process was originally devised.

When our firm originally became involved, one of the weaknesses discovered in the system was that one of the projects objectives was to accommodate low to moderate income families. In relation

to this project, we found that fridges and stoves were not supplied with the units and the leasing process was slowed considerably as low income families were expected to supply both appliances and last month's rent which is a considerable financial hardship on low income families.

The Corporation has a small waiting list of approximately 15 applicants waiting for three bedroom homes. The need to advertise is minimal.

2.1.2 Maintenance Service

Tenants call directly to our office reporting any problems being experienced which are then referred to the appropriate trades.

No major repairs have been undertaken to date.

As all utilities are the resident's responsibilities, no major escalations have been experienced. With the project being two years old, the redecorating costs have risen as tenant turnover is now increasing.

The Corporation maintains a reserve fund which is governed by C.M.H.C. standards.

2.1.3 Social Services

n/a

2.3 Financial Aspects

Arrears average about 6% monthly. Tenants are issued a reminder on approximately the tenth of the month and given until the 15th of the month. Residents are issued an eviction notice which requires payment within 14 days or move out within 20 days. Vacancies occur when units require painting and cleaning. However, this happens when the tenants vacating do so on the last day of the month which leaves little time to redecorate for a new tenant requiring possession on the 1st of the month.

Memorandum

To: Jim Robertson,
Manager, Programmes,
C.M.H.C.

From: Ron Struys, Co-operative Housing Working Group
Mitch Cohen " " " "

Re: Comments on certain policy and delivery aspects of the Co-operative Housing Programme.

Introduction

At a meeting held on November 28, 1980, CMHC and Provincial Ministry of Housing officials met with representatives of the Co-operative Housing sector to discuss the CMHC/MOH sponsored study entitled "Evaluation of Non-profit Housing Programmes in the Province of Ontario."

The meeting was called to discuss concerns of the co-op sector with respect to various aspects of the study. The co-operative representatives were concerned that insufficient attention was being given to a broad range of goals that are envisioned in the Co-operative Housing Programme. This memo will review these goals.

In addition, this memo will address some programme delivery questions raised by CMHC/MOH.

THE GOALS OF THE CO-OPERATIVE HOUSING PROGRAMME.

The study proposal by Woods Gordon stipulated that "... precise definitions of the targets and goals of the old and new programme must be established early in the study process." CMHC representatives have indicated that these goals have been identified and that they are identical for the three non-profit housing programmes, (municipal, private and co-operative), namely: ' the provision of affordable housing for low and moderate income households'. Therefore, the study would primarily evaluated the success of the non-profit programme in achieving this goal.

How well does the programme work? Is it cost effective? Are the subsidies going to the target group of people? How does it compare to private sector programmes aimed at providing market rental housing? These are some of the questions the study is asking.

It seems, however, that some very important aspects of the non-profit programme have been overlooked. The narrow definition of programme goals outlined above negates the basis upon which the non-profit programmes have been built.

A review of the Annual Reports published by CMHC in 1978 and 1979 supports the view held by the Co-op Sector that the goals of the non-profit programme goes beyond ' providing affordable housing for low and moderate income households'. The 1978 Annual Report, for example, states that:

> " Recent policy changes have shifted the emphasis away from the public housing programmes, which have acquired some negative social implications, and have strengthend those programmes such as non-profit and co-operative housing which are privately financed and which help people to help themselves. "

The report goes on to say that the success of the non-profit programme has made possible:

> " ... the phasing out of the old public housing programme which tended to isolate low-income people, in favour of the privately financed non-profit and co-operative programmes which allow a more acceptable blending of population groups and are more responsive to the plans and priorities of local governments. "

CMHC's 1979 Annual Report indicates that the 1978 amendments to the National Housing Act reflected, "... the increased emphasis on the provision of subsidized housing by means of non-profit and co-operative housing." CMHC clearly recognizes that there is something more to the non-profit programmes that the provision of 'affordable housing'. The social mix, or blending of population groups achieved through the programmmes is viewed as a worthwhile goal, as is the increased responsiveness to local needs and desires cited above. In short, the non-profit programmes established in 1973 and strengthened by the 1978 amendments are seen to be a more socially acceptable means of providing housing for low and moderate income Canadians that the traditional public housing programmes.

CMHC itself considers the non-profit programmes an integral part of its' 'Social Housing Programme'. What is ' Social Housing '? As defined by the terms of reference of the CMHC/MOH study social housing is simply housing that is affordable to low and moderate income households.. It is our contention, however, that 'social housing' is much more that just ' affordable housing'. We believe that CMHC has generally shared this view. Most importantly, it is housing built for Canadians that is 'not-for-profit'. It is affordable housing that will remain affordable as a result of its continuing non-profit nature. The development of a stock of housing that is not built for profit; but, rather for its social value, is the development of a valuable Canadian capital asset. The non-profit housing programmes are building a national resource by using public dollars to meet public needs permanently.

Tenants living in rental housing 'built for profit' are typically paying more and getting less, in terms of the size, quality and state of repair fo their housing with each passing year. "Good

quality, affordable housing: the catchphrase of CMHC's Social Housing Programme, has become increasingly difficult to find. Housing is bought and sold as an investment; rents are increased as much and as often as government controls and market conditions allow and the 'profit motive' dictates the extent to which maintenance programmes are carried out.

The non-profit housing programme has developed and flourished in direct response to these conditions and the goal of the programme - the creation and expansion of a stock of not-for-profit housing that will be affordable on a continuing basis to low and moderate income households - is one that is not being addressed by any other programme.

Municipal non-profits, private non-profits and non-profit co-operatives all share the goal defined above. Housing co-operatives, however, go one step further and the difference between the co-ops and the two other forms of non-profit organizations must be taken into consideration in any evaluative study.

Co-operative housing does more that create and expand the stock of affordable not-for-profit housing. It provides affordable not-for-profit housing that is owned and managed by the residents themselves. In so doing the co-op housing programme establishes a form of tenure significatnly differenct than that of private or municipal non-profit housing.

Tenant in municipally or privately owned non-profit buildings are dependent on the judgement of a Board of Directors living outside the project for decision relating to maintenance and overall management. Even with the best of intentions on the part of directors of the corporation, this system is not as good as when people are able to determine their own future.

Non-profit co-operative housing bring the decision-making power into the project, where members depend on themselves and their neighbours for decisions that determine how the community will be run. Members experience participatory democracy in action; each co-op members learns that his or her voice can and will be heard, that the individual can have meaningful input into decisions that affect their daily lives.

Housing co-operatives offer the practical means by which people can put their skills and interests to work. Every member, regardless of age or income, can contribute to the community. Members establish policies democratically and develop programmes and services that reflect their particular interests and concerns.

The goal of the co-op programme is not simply to provide affordable places for low and moderate income people to live; but also, to build self-governing communities in which the members have direct democratic control and responsibility. The co-op programme is building communities in which the experience of co-operation is breaking down the isolation between people and replacing it with

relationships and interdependencies built on the satisfaction of mutual needs and desires.

Summary

In defining the goals of the non-profit programme in the narrow terms described in the intrdoction of this statement, representatives of CMHC and the Minstry of Housing involved in the 'Evaluation of Non-profit Programmes in the Province of Ontario' have overlooked the very aspects of the programme that make it so uniques and important. The very 'social' nature of the social housing programme has been ignored, as has the continuing 'not-for-profit' nature of the non-profit programmes.

Furthermore, in not defining what makes the co-operative housing programme different from the other two non-profit forms CMHC/MOH officials have not acknowledged the important social benefits derived from the development of self-governing co-operative communities.

How important is the development of such communities in Canada today? Should government housing programmes just provide affordable places to live? It is our position that they can and are doing much more, and that the results of any evaluative study will only be meaningful if some of the broader 'social' goals of the programme are taken into consideration.

PROGRAMME DELIVERY

The following are answers to some of the questions asked during the study that are most appropriately answered by resource groups:

A) The study is attempting to review a number of areas related to the operating constraints and problems in co-operatives. In particular the study has attempted to compare the effectiveness of the post-1979 programme to the pre-1979 situation. Specifically, it has been asked whether the new programme has had an effect on unit mix, maintenance costs and related activities. Unfortunately, insufficient experience is available to make valid comments in these areas.

B) A number of questions have been asked regarding the financial aspects of the new co-operative programme:

i) Are subsidies adequate under the new programme?

It appears that in most markets that have a bouyant market, the programme does permit the development of viable projects. Unfortunately, however, the housing charges that are equivalent to the low end of market for the area, can be extremely high in rental markets such as exists in most large Ontario municipalities. As a result, the programme is sometimes unable to house as many low and moderate income residents as most co-operatives would like

accomodate. If the economy however worsens and layoffs increase, this situation will require deeper subsidies.

ii) Were they more/less adequate under the old programme? Why? Which subsidy structure is better suited to your needs?

Given the introduction of more realistic Maximum Unit Prices and the variable effective interest rate under the new programme, it appears that co-operative can be developed in more locations and markets. Unfortunately, this is only a measure of a co-operative ability to compete in the market place. As mentioned previously, this does not provide enough subsidy to make units built in some urban areas affordable by average income households. It is for this reason that the co-op sector has been urging the Provincial government to supplement the Federal government subsidies.

Though there has not been very much experience with the new subsidy structure, it appears to give co-operatives more freedom to respond to local needs and demands.

iii) Do you expect major financial difficulties in the long-term due to the structure of the old and new programme? Differences between acquisitions and new developments?

Two serious problems being encountered to date are insufficient replacement reserve funds and the effect of Provincial grant reductions under the old programme. This is particularly a difficulty with rehabilitation co-operatives in which not all systems were replaced or overalled during the renovation period. As a result the co-operatives concerned are having to cope rapidly escalating maintenances costs while the Provincial grant is being reduced in accordance with the requirements of the Tripartite Agreement.

C) A number of questions have been raised regarding the acquisition and development process:

i) Describe criteria for site selection or acquisition.

The appropriate criteria would vary according to the municipality in which a project is being considered; the following are criteria that would be considered when selecting a site in the Municipality of Metropolitan Toronto.

a) <u>Size</u>: The economics of the program generally encourages the development of projects with more than 70 units and less than 200 units.

At least 50% of the units would preferably have 2 or more bedrooms (except for senior citizen projects).

b) Location: For economic reasons, sites are generally limited in number and quality. Therefore ideal criteria with respect to location are not worth considering in detail (i.e. we develop on the best sites available at the price we can afford).

c) Price: The affordability of vacant land or existing unit varies from municipality depending on planning and marketing considerations. For example in the City of Toronto a co-op can generally afford to pay $7.00 a sq.ft. for land that is zoned at FSI 1 times coverage and $14 per sq.ft. for land zoned at FSI 2 times coverage.

d) Timing: The length of time required to obtain a commitment is of course a major consideration in determining the priority among the appropriate sites for housing. For example if municipal services have been installed adjacent to a site and suitable zoning has been approved by the municipal authorities, a co-op would consider such a site to be a high priority project in contrast to a site that would require 1½ years to obtain municipal zonings approvals.

e) Political Considerations: Co-ops examine the level of support, in principle, that is available from local, provincial and federal politicians. In addition, we examine the potential difficulties that we may encounter in our efforts to gain support from neighbourhood residents, and, in the case of projects involving the conversion of existing buildings to co-operatives, we attempt to assess the degree of interest or opposition to be expected from the in-situ residents. In addition, we examine the complexity of the regional and local planning process to determine both the potential for the success of an application and the expected timing of final approval.

ii) Any difficulties in land assembly or property acquisition due to program structure?

In the absence of a public land banking policy, co-ops are unable to purchase land that is not zoned for the specific project. This is because co-ops generally do not have large amounts of capital to purchase long term options on land. Therefore, co-ops are severely limited with respect to the number of sites that are available for feasibility studies. Therefore, the Federal Government ought to have a program that strongly encourages local municipalities to establish public land banks for non-profit and co-operative projects.

iii) Any consistent difficulties with processing of your applications?

A) Appraisals: Quite often insured lending principles that are applicable to market housing are used in inappropriate situations with respect to co-operative housing projects. For example, C.M.H.C. uses the income approach

to determine the maximum dollars per unit that they will commit for the purchase of an existing rental building. As an insurer of mortgages in the private sector, this is an appropriate appraisal methodology. However, this method will always result in a commitment level that will be less than funds required for the acquisition and complete rehabilitation of the existing building to National Building Code standards. Therefore this repeatedly results in an unnecessary dispute with the C.M.H.C. appraisers with respect to the maximum loan that will be insured by C.M.H.C. unders its Social Housing Program. On the other hand, the market value approach to determine the appropriate acquisition price for existing buildings is generally a fair appraisal methodology.

iv) Is the level of start-up funding and the procedure for receipt of the funds adequate?

The Co-operative Housing Foundation of Canada has submitted numerous briefs to C.M.H.C. on the difficulties with the start-up program. As a result of the latest set of negotiations between C.M.H.C. and C.H.F.C., we understand that a revised start-up program will be announced shortly. We feel that it would be inappropriate to pass judgement at this time and we would prefer to wait until this new program has been operating for a few months.

Irrespective of the detailed start-up funding, we are however concerned that local branches do not seem to fully appreciate that start-up funding is considered to be risk money under government policy. Therefore by its very nature, the Federal Government had clearly determined, at a policy level that occasionally funds would have to be written off in the event that a project was not able to proceed to loan commitment. Despite this government intent, we have found, that branches generally are reluctant to provide start-up funds until eighty or ninety percent of the work has been done towards proving the feasibility of the project. For example, the following is an excerpt from a letter to a group that had applied for start-up funding from C.M.H.C. local branch.

"In considering Start-up Applications for Stage I, II and III we are not in a position to approve these applications for the following reasons:

1. The project in its present form is not feasible.

2. A bona fide co-operative board has not been formed.

3. Need and demand has not been demonstrated.

4. Evidence of community support has not been demonstrated.

(Applicable to Stages II and III).

5. Incorporation has not been initiated.

6. Best Buy Analysis has not been conducted.

7. There is no evidence of organization and client development having occurred.

8. Design of the project and related costs involved the previous owner.

   We would be please to review the project again in the event that the situation or circumstances change."

As you may appreciate, once the above conditions had been met, loan commitment could have been provided in a matter of a few days, and start-up funds would not be necessary for this project.

We suggest therefore that C.M.H.C. recognize the risks inherent in the project development process and ensure that local branches use appropriate criteria to evaluate proposed projects.

We wish to emphasize that these criteria should not be designed so as to require the resource group to provide firm capital budget feasibility at an early stage of the start-up process, as a condition for advancing significant funds. Such a requirement fails to recognize the reality that significant start-up funds often need to be advanced to finance the work of the group and/or its consultants in establishing the various design and construction options which will result in an acceptable Capital Budget Application.

In addition, bearing in mind the expected proportion of projects which will not proceed to commitment and the lengthy approval process which may not be involved in a portion of successful commitments, we suggest that C.M.H.C. make a 3 year budget allocation for start-up financing. If C.M.H.C. does not feel that it has in its files sufficient information from such sources as the C.R.O.P. monitoring reports provided by the various resource groups, and the continuing imput from the Co-operative Housing sector regarding current and future projects, to evaluate the expected percentages and numbers of successful and unsuccesful projects, we will be pleased to meet with you in order to provide you with any additional information in our possession that would be helpful in this regard.

v) Are project administration funds adequate?

Three resource groups in Toronto have been negotiating a revised project administration budget with local branch officials. It is expected that these negotiations will result in a revised schedule of project administration fees that will be applied nationally. Pending the outcome of these negotiations, the co-op housing sector has no comment.

vi) Are M.U.P.S. realistic?

We accepted the principle of establishing M.U.P.S. as the prime measure of modest housing. Our main concern is that C.M.H.C. has not revised the maximum unit prices twice annually, as originally agreed. Therefore co-operatives are not clear as to the maximum units prices that will be acceptable to C.M.H.C. at any particular point in time.

In addition, there are particular circumstances that are not considered in setting maximum unit prices.

a) The present prices do not permit the development of small new construction housing co-operatives.

b) Inner city projects tend to be difficult with the present M.U.P.S. unless very high density, essentiall non-family housing, is built. In both of these circumstances, there are special social benefits arising from such projects. Therefore C.M.H.C. ought to specifically establish maximum unit prices for these two circumstances so as to not discourage development of co-operatives that are either small in size or located in the inner city.

c) Maximum unit prices that are established for senior citizen housing projects are based upon the assumption that senior citizen units are on the average smaller than non-senior citizen units in square footage terms and further that the majority of the units built would be bachelors. We feel that there is a social benefit to providing one bedroom units for single seniors and two bedroom units for couples. In addition, we see no justification for creating smaller units for senior singles or couples than for singles or couples in family projects. Therefore, the senior citizen maximum unit prices ought to be adjusted in line with the assumptions we propose.

d) The present prices do not adequately recognize the problems created by the "overheated" rental market in certain cities which have pushed rental levels above the affordable level for moderate income earners.

vii) Do you encounter constraints due to C.M.H.C./M.O.H. design criteria?

Since C.M.H.C. is the agency that approves co-operative housing projects, we can only comment on the effect of C.M.H.C. design criteria.

For suburban projects, the site planning handbook is generally a useful guide for co-operative housing projects. However, major revisions are necessary to take account of inner city schemes. Without this revision, every inner city scheme will have to be considered as an exceptional project by the branch. Therefore this approach will generally discourage resource groups from pursuing such schemes. Some areas in which the site planning handbook is not appropriate in downtown urban areas include open space parking and set back requirements. An appropriate administrative method of bypassing the need for a detailed site planning handbook for inner city projects would be to have the local branch accept the local municipalities standards in the event of a conflict between the proposed project and the requirements of the site planning handbook.

viii) Tenant Reaction to Design.

To the best of our knowledge no detailed study of the co-op residents satisfaction with the design of their housing has been performed in the last five years. For most co-operative projects, there is some input to the design from at least a small "core group" of future residents. In any case, if there is a great dissatisfaction with the design, the potential residents would likely not move into the unit in the first place. The main concern that we have encountered is that the recommended maximum unit size result in:

a) the lack of either suitable dining or suitable kitchen facilities and

b) bedrooms other than the master bedroom being rather small. We would recommend that C.M.H.C. examine the feasibility of increasing the minimum bedroom and eating sizes that are acceptable under the C.C.R.C.

ix) Are local development standards adequate?

The answer to this question would vary from municipality to municipality. In some cases, C.M.H.C. standards are more restrictive than those of the local municipality and in others, the opposite applies. We have generally found that the standards established by the local municipality for areas in which co-operatives can afford to purchase property are generally acceptable insofar as zoning in concerned. We however feel that there is room for a review of the engineering and servicing standards

demanded by certain municipalities. For example, the Borough of Etobicoke recently adopted lower standards in its effort to ensure the feasibility of a co-op housing project. To the best of our knowledge the residents and borough officials are satisfied with the results. These reductions included narrower road allowances, smaller turning radii and reduced setbacks.

Other Problems and Suggestions

i) R.R.A.P.

We consider the R.R.A.P. program to be useful and important. We encourage C.M.H.C. and the Federal Government to continue and expand this program. We feel that the lack of affordable sites for new construction co-operatives, combined with the tendency to force moderate and lower income people from the older, central areas of our cities when existing buildings are "white painted" by private developers obliges the sector to become strongly involved in rehabilitation projects.

ii) Life Cycle Costing - R.R.A.P.

We have in the past experienced instances in which rehabilitation projects were not adequately funded so that the level of rehabilitation was not adequate. Within a few years heavy repairs placed a severe economic burden on the co-operative. We urge C.M.H.C. to consider the economic "life cycle" of the co-operative and thereby ensure that rehabilitation budgets are adequate to ensure a project which will be economical in the long run.

MINORITY REPORT TO THE EVALUATIVE STUDY OF NON-PROFIT AND COOPERATIVE HOUSING IN ONTARIO

Prepared for The Urban Development Institute (Ontario) and The Ontario Council of The Housing and Urban Development Association of Canada

by DAVID P. AMBORSKI
July, 1981.

Introduction

An "Evaluative Study of Non-Profit and Cooperative Housing in Ontario" has been prepared for Canada Mortgage and Housing Corporation and Ontario's Ministry of Housing by Woods Gordon Management Consultants. Although the Urban Development Institute Ontario and the Ontario Council of the Housing and Urban Development Association of Canada participated in the study as members of the Private Sector Working Group, the concerns and viewpoints of the private sector may not be fully reported in the study. To stress a number of the salient points regarding the evaluation of non-profit and cooperative housing in Ontario, UDI and HUDAC ONTARIO submit this "Minority Report to The Evaluative Study of Non-Profit and Cooperative Housing in Ontario".

Key Study Findings

The first study finding that must be stressed is the Municipal Non-Profit (MNP) units have higher costs per square foot than Private Non-Profit (PNP) and Cooperative (Co-op) developments. For the old program the costs were about 8.5% higher while the new program costs are approximately 13.5% higher. The implication of higher development costs are larger mortgages to finance the costs. Higher mortgages mean higher operating costs which in turn lead to greater operating subsidies in general and in particular for rent geared to income units. In the Woods Gordon report these findings are called 'interesting' and are labelled as being 'slightly' higher for MNP units. Many analysts would consider costs in excess of 10%

higher to be significant especially when the study suggests that the differential does not appear to be caused by variations in land costs. This leads one to question why the differential exists. It would appear that the expertise and efficiency in the private sector exceeds that of the public sector. This may be especially true where the public sector developer is a bureaucratic agency. PNP and Co-op projects are run by people who have an economic stake in the development.

A second interesting finding is that there appear to be no economics of scale in the production of the developments. Data for both the old and new programs indicate that the costs per square foot are lower for small projects (less than 50 units) compared to large projects. This result is contrary to private sector experience and therefore must be given more careful consideration. In the study potential explanations include a high proportion of large senior projects (20.6% vs 7.8%) which are more costly on a square foot basis; and 'slightly more' large projects in urban locations. 'Slightly more' in this case means 31.2% large urban projects as compared to 22.0% large suburban projects. This differential represents over 40% more urban than suburban projects. It may prove useful to discover the determinants of this variation. Many of the other findings, for example that Metro Toronto projects are more expensive than elsewhere and that senior citizen buildlings are more costly than family buildings on a square foot basis confirm the 'casual empiricism' of many participants and observers of housing markets.

Subsidies

Since the study does address the ARP program in section 3.5 "Program Comparisons" as a means of providing housing subsidies, the Assisted Rental Program (ARP) should be included in the comparison of capital and operating subsidies presented in the

Executive Summary.

In terms of capital subsidies it would be the lowest among the three types of development for both the old and new program. These projects receive no capital subsidies and would therefore be equal to the position at the MNP developments under the New Program.

Operating subsidies for ARP units could also be included in the comparison. Although the data obtained from the private sector was considered to be not in useful form by the authors of the study, they indicated that they obtained data from the Ministry of Housing for 64 ARP buildings. If the subsidy is used in the 'representative project' in section 3.5.2, the ARP operating subsidy is about half of the next lowest operating subsidy.

TABLE I

Average Per Unit Operating Subsidies For 1st Year of Program

	New Program
ARP	$1650
PNP	$3270
CO-OP	$3309
MNP	$3960

It is also necessary to indicate that $1200 of the $1650 ARP operating subsidy is in the form of a loan from the Federal Government that must be repaid upon sale, refinancing or one year after the disbursement period. The remaining $450 is a grant from the Provincial Government which is given only if the project does not provide economic rents with the aid of the Federal subsidy. This grant is not repayable. However, none of the grants for the other three types of projects, all of which are in excess of $3000 per unit for the first year, are required to be repaid.

Resident Surveys

Two comments must be made regarding the residents survey.

First, it is not surprising that the non-profit residents who indicated the greatest satisfaction with their housing unit were those that live in rent geared to income units. It is these residents that are getting the greatest level of housing consumption relative to their shelter expenditure. This is particularly true if they are aware of what their rent would be in a comparable market unit.

Second, the results that for family buildings 17.1% of households had incomes less than $10,000, were not in rent geared to income units, and were paying more than 30% of their income for shelter; coupled with the result that 4% of households had incomes over $30,000 leads to the conclusion that there is a misallocation of subsidies. Households with relatively high incomes should not be allowed to live in subsidized units while other households with severe shelter affordability problems are not given larger subsidies. If it is deemed desireable to have some high income households in certain projects, these relatively high income households should pay market rent.

Financial Projections

The results of the financial projections are extremely important with respect to future subsidy commitments as well as other policy decisions. This is particularly important since public sector projects have tended to request and obtain more subsidies when costs have increased while private sector projects have been denied additional subsidies. It was identified that high interest rates and rising operating costs have significant impacts on subsidy levels

and financial viability of projects under both the old and new programs. The concern with respect to these two variables is that with dramatic increases in these two variables, past decisions to build these types of units can mean substantial subsidy increases that the taxpayers must bear. Once the commitment is made to a project the subsidies must continue for the duration of the committed time period regardless of increases in interest rates and operating costs.

The scenarios that were simulated in the Woods Gordon Financial Model indicate that with the anticipated increase in operating costs rents may have to increase in many cases by about 12% in order for projects to remain viable.

In addition to indicating the requirement for increased subsidies if these rent increases cannot be attained, these results give information to aid the discussion on rent control. The results demonstrate that with expected increases in operating costs not only non-profit buildings but most apartment buildings will require rent increases in excess of the current rent control ceiling in order to maintain financial viability. Operating cost increases will not vary dramatically among all the buildings in the stock of rental accommodation in Ontario. Therefore with a rent control ceiling of 6% and required increases of 12%, the administrative costs of the rent control program may significantly increase. With the anticipated increases required for financial viability predicted in this model, it is now the appropriate time to re-think the application of rent control in Ontario.

Program Comparisons

The program comparisons in the study yield both interesting results and omit some important information.

In comparing Non-Profit Housing and Public Housing, it indicates that the construction costs are similar for both types of projects under the Old Program. For the New Program Non-Profit costs are about 11% less than Public Housing.

The fact that these are cost differentials between programs and between the old and new Non-Profit programs implies that bureaucratic costs exist. These may arise due to the specifications for the construction of the projects or the constraints and administrative structure under which the project must be constructed.

For the comparison between Non-Profit Housing and the Assisted Rental Program square foot figures were not presented in the study. However, based on the data made available by the private sector for the study Table II is presented which indicates that ARP projects averaged approximately $6 per square foot less than PNP and Co-op projects and $12 less than MNP.

TABLE II

Comparison of Costs per Square Foot by Program

Program	Cost per sq. ft.	Cost savings compared to MNP Program
ARP	$34	26%
PNP, Co-op (New Program)	$40 - $41	12%
MNP (New Program)	$46	0%

In determining the costs for the ARP development the same methodology was employed as is described in the study. Two problems exist with this methodology. First development costs are adjusted to 1979 dollars by using the Ontario Residential Construction Price Index. This

index was uniformly applied to construction and land costs. It is not an appropriate measure for inflation of land values. Second, there may be great variations in land costs due to year of purchase or whether or not the land was purchased at market value. This suggests that the most valid comparison for cost efficiency among programs as well as the public and private sectors is a comparison of hard and soft development costs. This comparison was not made in the study.

Comments by Program Participants

It is not surprising that all three groups MNP, PNP and Co-op project administrators found the new program preferable to the old program. The new program provides a much higher level of subsidy on an ongoing basis.

Generally the comments centered around desiring more Provincial funding and less Provincial constraints. The one constraint that was mentioned that demonstrates how the program leads to the costly provision of rent geared to income costs is the maximum of 25% rent geared to income units allowed in any project. This essentially means that three market units must be provided to obtain one rent geared to income unit.

It may well in fact be more efficient to allow the private sector to provide the market units with the public sector concentrating on the provision of units with housing affordability problems.

Summary

In summary a number of the most significant private sector concerns need to be stated. This is especially the case since concerns of the Private Sector Working Group were not included in the section on "Problems and Constraints".

* Private sector (ARP) costs per square foot are substantially lower than public sector costs.

The data have demonstrated that the average ARP development cost $34 per square foot as compared to $40 - $41 per square foot for PNP/Co-op and $46 per square foot for PNP. This represents a cost saving of 12% for PNP and Co-op projects and 26% for private sector projects compared to MNP costs.

* Housing for special groups such as senior citizens could be most efficiently provided by the private sector.

Since the private sector can provide housing cheaper on a square foot basis, it would be efficient to have it build housing for special interest groups and then sell it to the appropriate agency for administration.

* Current public sector subsidy programs are not cost efficient.

Public sector administrators are concerned with the cost efficiency of the current subsidy programs. It appears that three market units must be provided to obtain one rent geared to income unit and that a number of families who require more financial assistance are not obtaining it. There is evidence that public sector costs especially MNP costs are higher than private sector costs. This suggests that market units should be provided by the private sector while needy households should obtain subsidies in some efficient manner. A shelter allowance program may be the best method of subsidizing needy households.

* Increasing operating costs and interest rates have implications for increased subsidies and rent control.

The financial projections indicate the impact of operating costs and interest rates upon rents required for projects to maintain their financial viability. If rents are not increased to meet the rising costs, additional subsidies must be given to existing projects. Results in these projections demonstrate that a rent control ceiling of 6% is unreasonable. The policy on rent control should be reconsidered in light of these findings.

* ARP projects have lower per unit subsidies than public sector programs.

Not only are the operating subsidies less than half of the amount of the other programs but most of the subsidy is in the form of a repayable loan. This differs from the other programs in that their subsidies are in the form of grants. ARP projects also generate income tax reserve and have a predetermined subsidy level. These projects have not been able to obtain increased subsidies to meet unanticipated cost increases as has been the case with public sector projects.

* The private sector could provide more subsidized units than the public sector with a fixed subsidy level.

Since the private sector can provide housing cheaper on a square footage basis, it could provide more subsidized units because it is more efficient. Capital subsidies would provide more units because the private sector can build for lower costs per square

foot. With lower costs per square foot and per unit there would be lower mortgages and the operating subsidies could be spread among more units.

Clearly commitments to the present Non-Profit program may have significant future financial implications due to ever increasing operating costs. Therefore existing subsidies should be used in a cost efficient manner. This means extending the subsidy programs to the private sector since they can provide housing more efficiently, and ensuring that the subsidies are given to those households that have the greatest need.

APPENDIX F

EXAMPLES OF RESIDENTS' COMMENTS FROM QUESTIONNAIRES

16. This page is provided for you to make any other comments regarding your housing accommodation that you would like to build to our attention.

- the rental units are small
  ∴ would be impossible for two people to live in a one bedroom

- ventilation not adequate in parking garage
  ∴ one can see the gaseous(?) pollution when fans seem to shut off in the evening. CO_2 collects like crazy

- should be fans installed over stoves
  ∴ the heat/smoke detector will go off while gently frying bacon, making toast or baking a cake

- elevators are sometimes so slow that it is possible to find yourself waiting for 20 minutes, average waiting period is 5-7 minutes

- fire gongs have rung for up to 45 minutes before being turned off

However - the building management employees are congenial and responsive to residents, a definite plus.

- we need more Non Profit Housing in Toronto!

Suggestion - a doorway be cut through to the mini-mart

16. This page is provided for you to make any other comments regarding your housing accommodation that you would like to bring to our attention.

(1) CUPBOARD SPACE INADEQUATE

(2) CLOSET SPACE INADEQUATE AND BADLY PLANNED

(3) POOR TILING ON BATHROOM FLOOR
SOME FIXTURES BADLY PLACED
E.G. CURTAIN ROD TOO HIGH

16. This page is provided for you to make any other comments regarding your housing accommodation that you would like to bring to our attention.

INCRESE OF 1980 RENT 18% IS ROBBERY

16. This page is provided for you to make any other comments regarding your housing accommodation that you would like to bring to our attention.

Generally, we are very happy with this accomodation. However, we will have to move in the next year or two because the apartment is rather small. A few other minor inconveniences:

A - ~~od~~ odours pass through the vents from apt. to apt. (unpleasant)

B - we have seen one mouse and a few cockroaches in our apt. about 2 months ago.

C - smoke ~~dete~~ detectors are much too sensitive (we've disconnected ours because they are triggered at the slighest hint of cooking fumes!)

D - fire alarms in the hallway have been triggered in the middle of the night with no cause.

E - elevators are sometimes very inefficient.

F - the doors in the building are much too heavy for the senior citizens and handicapped people.

G - water pressure in the bathroom is too low, also heat is not constant resulting in cold spells.

16. This page is provided for you to make any other comments regarding your housing accommodation that you would like to bring to our attention.

Dear Sirs

This is a very excellent kept Building
The management is the greatest
The social activities are just great
I hope to be able to stay here forever

You see I am a amputee of the ~~right~~ left leg
and am confined to a wheel-chair
most of the time
This took place oct 16-79.
Then my husband passed away april-1-80

As to the income for 1979 I would have
to take a rough guess after my husbands
death my income changed.
And previous to this he took care of all
those details

Thanking you

[redacted]

16, This page is provided for you to make any other comments regarding your housing accommodation that you would like to bring to our attention.

The buildings are poorly constructed & are falling apart (ex. floor tiles lifting, etc). The noise level is high as a result of poor insulation & soundproofing. The windows & outer doors (mostly the doors) are ill-fitting, therefore it is very cold inside in the winter, even with the heat on constantly. The upstairs windows are always filled with precipitation, causing the window tracks to be filled with water, & also around the frames & tracks to be moldy.

The security is disgusting - ie emergency exit door in garage - no catch on it to make it shut properly. ~~Both~~ Back ~~exit~~ doors in both buildings do not close & ~~lock~~ lock. Some Tenants have door keys made for their friends, ∴ strangers are constantly in & out.

(Drainage is a problem for the units in the courtyard - tiles are lifting, tenants rugs & furniture are getting ruined with water & mildew)

Also, some undesireable people are being allowed membership here, ie very young (age 18 + 19) couples without children who party constantly & have very noisy, inconsiderate friends, also ~~old~~ middle-aged divorcees (male & female) who are childless & noisey with friends, parties. Preference should be given to couples with children. (especially where the wife stays home with the children, ∴ having only one salary)

16. This page is provided for you to make any other comments regarding your housing accommodation that you would like to bring to our attention.

The carpets are of very low grade and the floors under them are very dirty causing stains to come through the carpets. The paint is very poor grade it washes off and the ~~paint~~ paint was put over dirty walls which shows the dirt through. We cannot get the windows out of the frontroom window to clean as it sags in the centre. The windows in the rooms let in a great deal of cold wind. and the heaters are not up to par; as they should be.

16. This page is provided for you to make any other comments regarding your housing accommodation that you would like to bring to our attention.

apartment quite small
rent increase from $144^{00} a month
to $186^{00} in three years which is
too much for senior citizens to pay.
It is O.K. when two people are able to
share the rent but hard on a widow.
although we all have to pay the same.

576

16. This page is provided for you to make any other comments regarding your housing accommodation that you would like to bring to our attention.

Very Satisfied

16. This page is provided for you to make any other comments regarding your housing accommodation that you would like to bring to our attention.

THE KITCHEN SEEMS TO BE DESIGNED FOR PEOPLE WHO DO NOT LIKE TO COOK OR EAT. IT'S NOTHING MORE THAN A ~~[illegible]~~ HOLE IN THE WALL! IF YOU USE THE STOVE FOR 10 MINUTES - THE HEAT IS KILLING YOU IN THERE. (NO, THE FAN DOES NOT HELP!)

A KINGDOM FOR A MOVE-IN, LIVE-IN, SIT-IN KITCHEN!

16. This page is provided for you to make any other comments regarding your housing accommodation that you would like to bring to our attention.

(3) - Both your front door and back door can easily be opened with a credit card. I have done this to prove it to the carpenters who were repairing the house at one time.

(4). The rent is too high a price for the type of accommodation that we have.

(5) The girl next house has a accommodation for her and a child, a one bedroom house which she pays about $79^{00}; she is on welfare, But now her boy friend moved in with his two children, which makes 5 person in a one room house, now- why ~~sd~~ should I pay $465^{00} and her $79^{00} a month, and endure all the commotion of the 3. kids next door all summer, of ringing door bells throwing ~~snow~~ balls in my windows and playing baseball all over my lawn & driveway

(6) For the price, I could have a better accommodation elsewhere

924

16. This page is provided for you to make any other comments regarding your housing accommodation that you would like to bring to our attention.

This development, in concept, is excellent; however in execution and management this project is excrable. The property manager does not provide sufficient explanatory directions and information to new tenants. Notices are issued by letter citing management rights to enter under the Landlord & Tenants Act with insufficient time to arrange appointment schedules and meetings. This is irritating, contrary to the Act and extremely poor tenant relations result from this bad practice. Complaints, requests for action and attention to maintenance problems are repeatedly ignored by the project management. Garbage shelters are not provided in sufficient numbers nor are they properly located. Landscaping around buildings has been promised since the spring yet it is still not complete in November 1980. Another example, my building has been occupied since November 1979 yet the address sign was just recently erected this November. Visitors, delivery people, service people and emergency services have difficulty locating addresses as a result of this poor attention to detail by the building management and shows lack of adequate planning.

Security around the site is poor. This is the result of poor choices of material for such items as lighting (plastic lenses easily and frequently vandalized), keyed areas (laundry rooms, locker rooms without proper security fastenings) accessible to non-tenants and juveniles, poor construction practices on such necessities as sidewalks, stairways, protective railings and special handicapped facilities (How about a ramp entry for wheelchair tenants, that has a hole large enough to overturn a chair, remaining unfixed for two months after original construction?))

Generally, the idea is good, the location and general design an improvement over past practice but execution and management are poor to the point of negligence. Should further evidence be required contact the undersigned:

1

957

16. This page is provided for you to make any other comments regarding your housing accommodation that you would like to bring to our attention.

I like it very much here.

16. This page is provided for you to make any other comments regarding your housing accommodation that you would like to bring to our attention.

1. QUALITY OF ACCOMODATION

1. THE WALLS IN THIS PARTICULAR "ROW HOUSING" SIGHT ARE OF SUCH POOR QUALITY THAT CONVERSATIONS MAY BE HEARD BETWEEN UNITS. THERE FIRE BREAK CAPABILITIES ARE ALSO SUSPECT.

2. HYDRO OUTLETS - IN THIS UNIT THERE IS ONE IN THE BASEMENT FOR A WASHING MACHINE. IF YOU HAVE A FREEZER YOU ARE EXPECTED TO HAVE AN ADDITIONAL ONE INSTALLED AT YOUR OWN EXPENCE.

2. MAINTENANCE

ALMOST NON EXISTANT. - CONTRACT WORK, SUCH AS PAINTING, THAT IS DONE, IS NOT INSPECTED BY THE HOUSING ADMINISTRATION THEREFORE EVEN IT IS POOR. FOR EXAMPLE WHEN I MOVED INTO THIS UNIT THE WALLS WERE PAINTED OVER AREAS THAT OBVIOUSLY NEEDED RE-PLASTERING ~~[illegible]~~ AND THE CEILINGS THAT HAVE THE "ROUGH STUCCO" FINISH WERE NOT TOUCHED. THE INTERIORS ARE GRADUALLY BECOMING RUN DOWN.

THERE IS A BOARD FENCE THAT SUROUNDS THIS AREA BELONGING TO THIS DEVELOPMENT. IT HAS NEVER BEEN PAINTED AND IS THEREFOR ROTTING AND BEGINING TO FALL DOWN. NOT VERY ATTRACTIVE TO THE HOME OWNERS AROUND US.

1100

16. This page is provided for you to make any other comments regarding your housing accommodation that you would like to bring to our attention.

I would like more housing of one floor level, no stairs. No highrise appartements. It is more convinient one floor level. Cause has you are getting older the stairs are very hard to climb especially if you are not in good health.

Thanking You.

1111

16. This page is provided for you to make any other comments regarding your housing accommodation that you would like to bring to our attention.

This may sound like a strange comment, however, I would like to see better quality doors installed (from common hallway into apartment). Sounds travel clearly through the doors. It's a question of both quiet & privacy. Even though people passing by may speak in normal tones, I can hear their conversation. Alternatively, when I'm walking by, I can hear conversations from within the apartments quite clearly. I'd rather not hear anything at all!

The other comment I have relates to the quality of building materials used. I realize quality costs money, but I think there would be savings in the long-term. Examples: (A) the carpeting is wearing thin at the joining (after only 1½ yrs residence; I'm a single occupant & am not an inveterate pacer); (B) inside cupboards & closets, the thin strip of covering along the shelves edge started peeling off a few months (3 or 4) after my arrival; and some other small items.

16. This page is provided for you to make any other comments regarding your housing accommodation that you would like to bring to our attention.

The parking with plug-in was $15 last year & $40 this year, I cant afford annual increases like this. Everything else is very good and we are very appreciative of it.

16. This page is provided for you to make any other comments regarding your housing accommodation that you would like to bring to our attention.

It doesn't seem fair that one on old age pension pay the full $190 per month ($186) when 2 on full old age pension get it for the same amount with double the income. I suggest we pay a bit less and they pay their share more.

1152

16. This page is provided for you to make any other comments regarding your housing accommodation that you would like to bring to our attention.

- VERY POOR INSULATION
  ESPECIALLY DOORS + WINDOWS
- POOR DISTRIBUTION OF FORCED AIR HEATING
  WITH UNEVEN HEATING OF HOUSE
  PLUS POOR CONDITION OF AIR VENTS
  PREVENTING CONTROL OR DISTRIBUTION

1154

16. This page is provided for you to make any other comments regarding your housing accommodation that you would like to bring to our attention.

The rent is too high - when you have to pay electricity, cable, telephone, clothes insurance, travelling expenses, food etc. it means that you exist only and forget about having a social life.

1187

16. This page is provided for you to make any other comments regarding your housing accommodation that you would like to bring to our attention.

Oear Sir,
I have alot of Complaint to do with this housing unit.

-The bedrooms are in the basement, there is so much humidity in the summer, My 2 kids have been sick for 3 weeks in August. We had to buy a humidifier that cost me $240.00 to get the humidity out of the basement so that my kids would not be sick. A dehumidifier will take alot of surplus of electricity.

-In the winter, all the windows:living room, patio door, and the small window beside the front door are full of humidity, and water running down on the wood, on my drapes, on the floor; during the winter we have to dry the windows at least once a day, quite often, twice a day. The patio doorson the bottom are frozen so badly that we cannot even open the doors because of the ice that is formed at the bottom of the door.

-This is a fire hazard during the winter season because we only have one exit by the front door, even the outside door in front is frozen, the handle is not moving, we have to put hot water on the handle every morning if we want that deor to open.

-Even the handles of each window upstairs & downstairs are unmovable, because of the ice that is formed on the bottom of the windows.

-I am subsidised because of my salary, we arw two adults and two kids living on a salary of $12, 731.00 per annum. I pay $264.00 rent per month, we are supposed to be heat & light with the subvention. This rent was supposed to include heat & light because I am not able to pay the heat or light because of my salary.

-We are allowed by the CO-op a maximum of $55.00 electricity(heat & light) for 2 months. This maximum is good during the summer & winter. In the summer months, the $55.00 includes only the electricity(light) that we use;the full amount of $55.00 is used completely for electricity purpose during the summer.
-Imagine when it starts to be cool in sept. and october, we have to start the heat at night, which is electric heat; right away we don't have enough of $55.00 electricity maximum for 2 months. So I already spend for the period of August 21st, 1980 to October 21st, 1980 a sum of $21.56. Our bill was $76.56

so 76.56
-55.00

total:21.56 that I had to pay the Co-op because I passed the maximum of $55.00 for two monts.
-Lasr winter, we had bills of $150.00 and up for electric heat and lights for 2 months. We had to cut the heat in the house so that we minimize the electricity cost. My wife is not using her dryer anymore, so that we save on bills, she hangs the clothing in the basement. That too, makes humidity in the house. Do we have any choice if they are going to charge us the extra for electricity.

-The Co-op told us if we have to pay a balance its because we overspent the amount of $55.00 per two months and people are overspending electricity for nothing. Is this overspending electricity when we have to cut on heat in the winter, and have to use the dehumidifier in the summer to take the humidity out of the basement, and dryer facilities, so that we will pay less electricity.
We are subsidised and cannot aford to pay any extra of electricity because our budget is not big enough for those extra expenses. I hope something will be done for us, subsidised people in the Co-Op, I am not the only one like that in the project, that complaints about the overpayment we have to give every two months for any extra use of electricity(heat and light).

-If I would have enough money, I would put carpets in the 3 bedrooms, corridor and bathroom which are located in the basement of the house.The carpets would keep the heat better in basement, would take some humidity off, then we would be able to save money on electricity heat.

-Your questionnaire was sent to us on october 24, 1980. The Co-op did receive those questionnaires well in advance. They kept the questionnaires until November 25th, 1980. You asked us to send the questionnaire by November 14, and the Co-op marked by November 28, 1980. That gives us only 3 days to answer the questionnaires and send it to you.Sorry for the delay, but this is the Co-op fault.

-I really hope that these remarks will help you determine the way this co-op is run. I hope something will be done concerning the $55.00 (electricity maximum)for two months. I will not be able to pay the difference in the winter times, because of the high cost of electricity because we have to heat. I will not do like last year, and cut the heat in the house and freeze.

A tenant that is not satisfied.
THANK YOU FOR TAKING THE TIME TO READ THESE COMPL

APPENDIX G

DEFINITIONS AND ABBREVIATIONS

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A.R.P. - Assisted Rental Program for development of rental housing (see Section 2.5)

C.M.H.C. - Canada Mortgage and Housing Corporation

Co-ops - Cooperative Non-Profit organizations formed to develop housing under Section 34.18 (Old Program) or Section 56.1 (New Program) for their members.

C.S.C.P. - Community Sponsored Contribution Program. Capital subsidy funds available to MNP's.

M.N.P. - Municipal Non-Profits - non-profit organizations formed by municipalities to develop and manage housing under Section 15.1 (Old Program) or Section 56.1 (New Program) of the National Housing Act.

M.O.H. - Ontario Ministry of Housing

New Program - New Non-Profit Housing Program under which buildings obtain private financing, non-RGI units have housing charges equivalent to low end of market and interest is written down to as low as 2% through assistance. (Section 56.1 of the National Housing Act.)

O.C.H.A.P. - Ontario Community Housing Assistance Program. This is a provincial subsidy under the New Non-Profit Program for PNP and Co-op buildings. Once the Federal R.R.G. has been fully utilized, O.C.H.A.P. funds can be applied to R.G.I. units only to bring rents down from economic rents to the necessary level based on the tenants income.

Old Program - Old Non-Profit Housing Program under which financing was direct from CMHC at an 8% interest rate and rents charged were breakeven. (Section 15.1 and 34.18 of the National Housing Act.)

O.R.C.G. - Ontario Rental Construction Grant - Provincial stacking of assistance under the Assisted Rental Program (see Section 2.5).

P.N.P. - Private Non-Profits - private non-profit organizations chartered exclusively for charitable reasons providing housing for low and moderate income groups under Section 15.1 (Old Program) and Section 56.1 (New Program) of the National Housing Act.

R.G.I. - Rent Geared to Income - Non-Profit housing residents who cannot afford to pay market rents and who's rents are reduced in relation to their income.

R.R.A.P. - Residential Rehabilitiation Assistance Program - provides funds (part loan, part grant) to rehabilitate (to acceptable standards) existing properties. For Non-Profit Housing RRAP funds are in the form of grants.

R.R.G. - Rent Reduction Grant (see description of Non-Profit Programs in Appendix B). There are two Rent Reduction Grants - a provincial one under the Old Program and a federal one under the New Program.

Start-up Funds - funds provided by CMHC to enable a private project or Co-op group to do the ground work prior to submitting a loan application. Portions of these funds are repayable as part of the mortgage loan.

Project Categories

New - Non-Profit Loans which entail development of a new building.

Existing - Non-Profit Loans which entail the acquisition of an existing structure.

Small - less than 51 units in a building.

Large - more than 50 units in a building.

Family - buildings occupied primarily by families (at least one adult and one child).

Senior - buildings occupied primarily by Senior Citizens.

Urban - Located in the cities of Toronto, Ottawa, Windsor, London, Hamilton.

Non Urban - Projects other than those in the urban category.

Old PNP - Private Non-Profit buildings financed under the Old Program.

Old MNP - Municipal Non-Profit buildings financed under the Old Program.

Old Co-op - Cooperative Non-Profit buildings financed under the Old Program.

New PNP - Private Non-Profit buildings financed under the New Program.

New MNP - Municipal Private Non-Profit buildings financed under the New Program.

New Co-op - Cooperative Private Non-Profit buildings financed under the New Program.

APPENDIX H

MAJOR UNRESOLVED ISSUES

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MAJOR UNRESOLVED ISSUES

This appendix contains issues that were identified through analysis and through meetings with working groups during the course of the study but which were beyond its scope. They may merit investigation at a future date.

- o Separate analysis of questionnaire and other data for seniors vs family buildings.
- o Income data provided relative to family size and number of income providers.
- o Determine whether MUP's are constraining inner city projects to include large numbers of bachelors and whether demand for bachelor apartments is weak.
- o Examine the implication of raising the limit of RGI upwards from 25%.
  - o subsidy implications
  - o tenant mix implications
- o Determine if rent supplement data is available separately for buildings built under different programs, especially private sector buildings. If so, examine these subsidies relative to Non-Profits.
- o Analyze whether MUP's do represent a problem or not.
- o Compare approval process for Non-Profits before and after disentanglement and make some judgements about the efficiency of the process.
- o Complete development cost comparisons on a per unit basis as well as a square foot basis.
- o Examine MUP's in relation to increase in residential construction costs.
- o Determine relationship between demand for moderately priced housing in various centres relative to supply.
- o Issues identified as concerns by Working Group members and other Non-Profit managers (see Appendix E) could be examined and facilitated if possible.